

EGYPT



Law and Practice

Contributed by:

Mahmoud S. Bassiouny and Iman Nassar

Matouk Bassiouny

Contents

1. Legislative Framework p.3

1.1 Key Laws and Regulations p.3

2. Authorisation p.3

2.1 Licences and Application Process p.3

3. Control p.5

3.1 Requirements for Acquiring or Increasing Control Over a Bank p.5

4. Supervision p.5

4.1 Corporate Governance Requirements p.5

4.2 Registration and Oversight of Senior Management p.5

4.3 Remuneration Requirements p.6

5. AML/KYC p.6

5.1 AML and CFT Requirements p.6

6. Depositor Protection p.7

6.1 Depositor Protection Regime p.7

7. Bank Secrecy p.7

7.1 Bank Secrecy Requirements p.7

8. Prudential Regime p.8

8.1 Capital, Liquidity and Related Risk Control Requirements p.8

9. Insolvency, Recovery and Resolution p.9

9.1 Legal and Regulatory Framework p.9

10. Horizon Scanning p.12

10.1 Regulatory Developments p.12

11. ESG p.13

11.1 ESG Requirements p.13

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 Korea and Libya practice. The firm's attorneys specialise in advising multinationals, corporations, financial institutions, and governmental entities on all legal aspects of investing

and doing 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 a senior 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



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 No 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 an independent regulatory body with public legal personality, along with technical, financial, and administrative independence. It reports directly to the President of Egypt. It 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 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 institu-

tion 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 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 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 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 mar-

ket 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 the 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 the 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 to the acquisition and details of its strategies for participating in its management.

An applicant seeking to acquire 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 core 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 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.
- 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 to guarantee the deposits of bank 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 yet been implemented, and as a result the GDF has not yet been established.

7. Bank Secrecy

7.1 Bank Secrecy Requirements

The New Banking Law deems the data of a bank's clients 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, their proxy, or a designated representative, 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 monitors 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.

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 resolution 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 resolution 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 resolution process. 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 resolution of a distressed bank at any time if the grounds for issuing such decision no longer apply.

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.
- Any lawsuits filed by the creditors against a bank subject to resolution will be suspended for a period of 90 days as of the date

on which the bank's financial distress was announced.

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 subject to resolution is a party, 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 subject to resolution 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 resolution 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 resolution 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 to funding the distressed bank resolution 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. The required funds must 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 Restrictions on Foreign Currency- denominated Transactions

In response to the recent foreign currency shortage in Egypt's economy, principally as a result of foreign currency withdrawals abroad (often attributed to the overuse of debit and credit cards in international transactions), on 9 October 2023 it was reported that the CBE had verbally instructed banks to ban their customers from using debit cards linked to EGP accounts for foreign currency-denominated purchases or withdrawals. Further, on 18 October 2023, it was reported that the CBE had verbally instructed banks to impose limits on the use of credit cards for foreign currency-denominated transactions (namely USD250 per month).

Additionally, a decree issued by the CBE on 17 October 2023 stated that customers planning to travel abroad could inform their banks of their travel plans in advance to retain their usual credit card limits in foreign currency, subject to the internal regulations of the relevant bank. This decree was revised on 26 October 2023, allowing customers to access their usual credit card limits in foreign currency without the need to provide evidence of travel plans before their trips; instead, such evidence could be provided after their travels.

Introduction to the Regulatory Framework of Digital Banking

In conformity with the CBE policies towards financial inclusion and digital transformation, the CBE issued new regulations on the licensing framework for digital banks on 12 July 2023.

Definition of digital banks and scope of activities

The aforesaid regulations define digital banks as “those providing banking services through digital channels or platforms, using modern technology”. The activities of digital banks remain subject to the following, among others:

- conducting banking activities in accordance with CBE Law No 194 of 2020 and CBE regulations, except for extending credit facilities to large corporations (as further outlined below); and
- establishing a headquarters for joint-stock company digital banks and a head office for their branch counterparts.

The aforesaid regulations set out the licensing requirements for applicants as well as the regulatory and supervisory policies. These include:

- registration with the CBE;
- compliance with the supervisory regulations issued by the CBE, as periodically updated;
- limiting individual customer deposits, including those from related parties, to 1% of the total deposit portfolio, with a cap of EGP200 million;
- prohibiting the granting of credit facilities to large corporations, excluding existing customers of medium enterprises, in the event their annual volume of activities exceeds the value determined by the CBE until their maturity, provided that the total value of such credit facilities does not exceed 20% of the bank's total credit portfolio;
- waiver of the aforementioned restrictions (percentages) during the first year of operation;
- permitting the granting of credit facilities to large corporations without complying with the aforesaid regulatory requirements provided that the relevant entity (i) obtains the approval

of the CBE; and (ii) increases its issued and paid capital to at least EGP4 billion or its equivalent for a joint-stock company, as opposed to no less than USD120 million or its equivalent in respect of the capital allocated to its branch counterpart.

Egypt's CBE and Cryptocurrencies

On 8 March 2023, the CBE issued a warning to Egyptian citizens against engaging in cryptocurrency transactions, relevant to both retail and corporate investors. This warning underscores that cryptocurrency transactions remain unlicensed in the Egyptian market and are fraught with high risks. The key concerns highlighted include: high-risk exposure, limited regulation (namely the absence of supervision by central banks or any regulatory authority), price fluctuations, and their use in financial crimes and digital piracy.

11. ESG

11.1 ESG Requirements

On 19 December 2022, coinciding with Egypt's hosting of COP27, the CBE announced that all Egyptian banks had completed assessing the carbon footprints of their head offices. A carbon footprint is an index for measuring greenhouse gases (including carbon dioxide and methane) and other gases causing global warming and climate change.

Further, on 21 May 2023, having regard to the Arab Day for Financial Inclusion, which takes place annually on 27 April, the CBE announced a number of sustainable finance initiatives. These include allowing banks to operate outside their branches among different governorates (particularly in remote areas), allowing citizens to open bank accounts without a minimum balance or

any fees, encouraging customers that opened electronic wallets to activate and use these as well as undertaking activities that help spread financial awareness.

In the same vein, the CBE issued a recent decree dated 3 November 2022 regulating sustainable finance. Accordingly, it instructed banks to adopt sustainable finance policies within their 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 no later than 1 October 2023. Additionally, the board of directors of banks shall oversee compliance with 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 in charge of internal coordination amongst the different sectors of the bank. The aforesaid administration shall oversee compliance with 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 must engage an environment consultant, authorised by the Ministry of Environment, to assess the environmental risks of projects of large companies seeking funding.