

Law No. 88 of 2003 on the Central Bank and the Banking and Monetary System¹

In the name of the people,
the President of the Republic hereby issues the following law,
which has been approved by the People's Assembly:

Article 1

The provisions of the attached law shall apply to the Central Bank [CB] and the banking and monetary system.

The following shall be repealed: the Banking and Credit Law (Law 163 [of 1957]), the [Central Bank and] Banking System [Law (Law 120 of 1975)], Decree Law No. 205 of 1990 on Bank Account Secrecy, Law No. 38 of 1994 Regulating Foreign Exchange Transactions, and Law No. 155 of 1998 Regulating the Private Sector's Share of the Capital of Public-Sector Banks.

Subject to the provisions of international agreements on the establishment of several banks in the Arab Republic of Egypt, any provision that conflicts with the provisions of the attached law shall be nullified.

Article 2

The provisions of Law No. 156 of 1981 on Joint-Stock Companies, Partnerships Limited by Shares, and Limited Liability Companies shall apply to banks subject to the attached law unless stipulated otherwise. The Commerce Law shall apply to a bank's transactions with its clients, merchants or otherwise, regardless of the nature of the transactions.

Article 3

Banks and branches of foreign banks registered with the CB on the date of this law's entry into force must bring their positions into compliance with the attached law within one year of said date. The CB Board of Directors [CBBD] may extend this period for one or more additional periods up to three years.

All money-changing companies that exist on the date of this law's entry into force shall bring their positions into compliance with the [attached] law within six months of said date. Until this draft law enters into effect, existing regulations and decrees shall remain in effect unless they conflict with the provisions of the attached law.

¹ Published in the *Official Gazette*, No. 24 bis of June 2003.

Article 4

The President of the Republic shall issue the implementing regulation of the attached law by decree based on the Prime Minister's proposal and the CBBD's recommendation within six months of the law's entry into force. Until this regulation is issued, existing regulations and decrees shall remain in effect unless they conflict with the provisions of the attached law.

Article 5

This law shall be published in the *Official Gazette*. It shall enter into force 31 days after its publication. This law shall be stamped with the seal of the state and shall be implemented as a law of the state.

Law on the Central Bank and the Banking and Monetary System

Chapter 1 – The Central Bank

Section 1 – General Provisions

Article 1

The Central Bank [CB] shall be a public legal entity subordinate to the President of the Republic. Its charter shall be issued by decree of the President of the Republic.

Article 2

The head office and legal residence of the CB shall be in the city of Cairo. The CB may, by resolution of its Board of directors, establish branches or offices and use correspondent agents domestically and abroad.

Article 3

The CB's paid-up capital shall be LE1 billion. The CBBB may, in agreement with the Minister of Finance, set aside a percentage of its annual net earnings to increase the bank's capital.

Article 4

The CB's funds shall be considered private funds.

Section 2 – Importance and Purviews of the CB

Article 5

The CB shall act to achieve price stability and the soundness of the banking system in the framework of the Government's general economic policy.

The CB shall establish the objectives of monetary policy in agreement with the Government through a coordinating council formed by the President of the Republic. The implementing regulation shall specify the method of operation of this council. The CB shall be authorized to formulate and implement monetary, credit, and banking policies.

The CB Governor shall notify the People's Assembly and Advisory Council of these objectives when the draft General Government Budget Law and draft general economic and social development plan are proposed. It shall also notify the People's Assembly and Advisory Council of any amendment of these objectives during the following year.

Article 6

The CB shall adopt means that ensure the achievement of its objectives and the furtherance of its purviews. In particular, it may:

- a. Issue, and determine the denominations and specifications of, bank notes.
- b. Manage monetary liquidity in the national economy. It may issue securities consistent with the nature of its funds and activity, and it may engage in open-market operations.
- c. Influence banking credit to cover its actual needs for various aspects of economic activity.
- d. Supervise units of the banking system.
- e. Manage the state's gold and foreign exchange reserves.
- f. Regulate the management of the foreign exchange market.
- g. Supervise the national payments system.
- h. Inventory and monitor the external debts of the Government, economic and service authorities, public sector, public business sector, and private sector using the forms specified by the CBBD.

The bank may undertake any functions or adopt any measures needed to apply monetary, credit, and banking policies and banking credit supervision provisions.

Article 7

In the event of a financial disturbance or other emergency that requires meeting essential needs in the financial markets, the CB may take whatever measures it deems appropriate, including the granting of exceptional financing to banks according to the conditions and rules stipulated by the CBBD.

Article 8

The CB may provide credit to banks subject to the provisions of this law and to international, foreign institutions and entities pursuant to the requirements, rules, and conditions established by the CBBD.

Article 9

The CB may guarantee financing and credit facilities obtained from foreign and international institutions and entities by public legal entities or banks subject to this law according to the requirements and rules adopted in the implementing regulation of this law.

Section 3 – Administration of the CB

Article 10

The CB shall have a Governor, who shall be appointed by decree of the President of the Republic based on the nomination of the Prime Minister for a period of four years subject to renewal. The decree shall cover the Governor's remuneration.

The Governor's remuneration shall be equal to that of a minister. The Governor's resignation shall be accepted by decree of the President of the Republic.

Article 11

The CB Governor shall have two deputies. Each deputy shall be appointed by decree of the President of the Republic based on the nomination of the CB Governor for a period of four years subject to renewal. The deputies' remuneration shall be stipulated in the decree issued to appoint them.

The Governor shall also have authorized representatives appointed by decision of the CBBD based on the Governor's nomination.

Article 12

The CB shall have a board of directors chaired by the Governor with the following members:

- The two deputy Governors.
- The chairman of the General Financial Market Authority.
- Three members representing the Ministries of Finance, Planning, and Foreign Trade selected by the Prime Minister based on the nomination of the pertinent ministers.
- Eight experts in monetary, financial, banking, legal, and economic affairs selected by the President of the Republic for a period of four years subject to renewal.

If the Governor is absent or prevented from being present, he shall be replaced by the senior deputy. If the senior deputy is absent, the other deputy shall replace him.

CBBD members' remunerations and allowance for attendance at CBBD sessions shall be stipulated in a decree issued by the Prime Minister based on the Governor's recommendation.

Article 13

The Governor, the two Deputy Governors, and each member of the CBBD must:

1. Be Egyptian of Egyptian parents.

2. Enjoy their civil and political rights.
3. Be of good reputation and not have been convicted of a felony or crime involving a breach of honor or trust.
4. Not have interests that conflict with their duties or that could affect their impartiality in deliberations and decision-making.
5. Possess broad experience in economic and banking affairs.

Article 14

The CBBB shall be the competent authority regarding achievement of the bank's objectives and the formulation and implementation of monetary, credit, and banking policies. For this purpose, it shall have all authorities, particularly the following:

- a. Determination of monetary policy tools and means that may be used; determination of measures for implementing monetary policy; setting of credit and discount rates and rates of return on banking operations according to the nature and term of these operations without adhering to the limits stipulated in any other law; and the establishment of regulations governing the valuation of assets that back Egyptian bank notes.
- b. Formulation of supervisory criteria and regulations that ensure the soundness of the banks' financial positions and the good performance of their activities; issuance of decisions needed to enforce said criteria and regulations; evaluation of efforts to supervise credit granted by the banks; and ascertainment of the application of credit quality and financial soundness criteria.
- c. Adoption of the budget, lists, and reports prepared by the CB on its financial position and the results of its operations.
- d. Approval of the organizational structure of the CB. This structure may include units of a special nature that have technical, financial, and administrative independence. Such units shall be established by resolution of the Governor based on what is resolved by the Board of Directors. The charter of these units shall specify their nature and the scope of their objectives.
- e. Issuance of internal rules and regulations concerning the CB's financial, administrative, and technical affairs, rules on tenders and auctions, and rules governing CB employees without adhering to the regulations stipulated in laws and regulations in effect in the Government, public sector, and public business sector.

Article 15

The CBBD shall meet at the head office of the CB in Cairo at least twice monthly upon the summons of the Governor or two-thirds of the members of the CBBD. The CBBD may be summoned to convene outside the bank's head office, provided it convenes within the Republic. A board meeting shall not be valid without the attendance of the Governor or one of his deputies in addition to a majority of the board members. The board shall issue its decisions by an absolute majority of the board members.

Article 16

The Governor shall represent the CB before the judiciary and in the bank's contacts with other parties. The Governor shall be responsible for managing the affairs of the bank. His two deputies and authorized representatives, each of whom shall operate within his own purview, shall assist him in this.

The Governor may delegate some of his authorities to one or more of his two deputies or authorized representatives, or he may assign them specific missions provided he so notifies the CBBD.

Section 4 – The Financial System of the CB

Article 17

The fiscal year of the CB shall commence as of the start of the Government's fiscal year and shall end at the end of the Government's fiscal year.

Article 18

The CB shall prepare a statement at the end of every week on its position compared to its position at the end of the previous week. The position shall be presented to the CBBD and shall be published in the *Egyptian Official Gazette*.

Article 19

Two auditors shall be responsible for auditing the CB's accounts. They shall be appointed, and their fees determined, annually by the Central Accounting Agency according to the nature of the activity of central banks and Egyptian Audit Standards. The audit conducted by the two auditors shall replace the audit conducted by the Central Accounting Agency. The CB must place, at the disposal of the auditors, all books, papers, and statements which the two auditors deem necessary to conduct the audit.

Article 20

The CBBD shall approve the CB's budget three months before the start of the fiscal year.

The General Government Budget shall not include the current and capital uses and resources of the CB.

Article 21

During the first three months following the end of the fiscal year, the CB shall prepare the following:

- a. Its financial lists for the fiscal year coming to an end. These lists shall be prepared according to the type of activity of central banks and Egyptian Accounting Standards. They shall be signed by the Governor and the two auditors.
- b. A report on the CB's financial position and activity results during the fiscal year coming to an end. The report shall, in particular, present the economic, financial, monetary, banking, and credit conditions in Egypt.

The financial lists, auditors' report, and financial position report shall be submitted to the President of the Republic within 10 days of being approved by the CBBD. Copies of the aforesaid shall be sent to the Prime Minister, chairman of the People's Assembly, and chairman of the Advisory Council within the same period.

Article 22

The CB's net earnings shall be transferred to the State Public Treasury after the employees' share of earnings, as established by the CBBD, and the stipulated set-aside for reserves are deducted from it.

Article 23

The CB's funds shall be considered public funds with respect to enforcement of the Penal Code.

Section 5 – The CB's Relationship With the Government and Disclosure Rules

Article 24

The CB shall act as the Government's financial advisor and authorized representative. Without prejudice to Article 27 of this law, the bank shall engage in banking operations pertaining [to] public legal entities and domestic and external financing with the CB according to the conditions established by the CBBD. The CB shall refrain from engaging in these operations for other than said entities.

Article 25

The CB shall serve as the Government's bank and shall receive consideration for the services which it performs for the Government and for public legal entities according to the price list for banking services pertaining to the CB, which shall be issued by resolution of the CBBD.

Article 26

The Government may commission the CB to issue on its behalf government notes and bonds of all types and terms, and the CB shall provide the Government with advice thereon.

Article 27

The CB shall provide financing to the Government based on its request to cover any seasonal deficit in the general budget, provided the value of said financing does not exceed 10 percent of average general budget revenues in the three previous [years]. The term of this financing shall be three months subject to renewal for other three-month periods. The financing must be repaid fully within the 12 months following the date on which the financing is granted. Special terms regarding this financing shall be established in agreement between the Ministry of Finance and the CB according to the prevailing monetary and credit situation.

Article 28

The CB Governor shall submit to the President of the Republic a periodic report every three months. The report shall include an analysis of technical, credit, and banking developments, and external debt balances during the report period. The report shall be submitted after it is approved by the CBBD.

The CB Governor shall also issue an annual report that is approved by the CBBD. The report shall be submitted to the President of the Republic, Prime Minister, Chairman of the People's Assembly, and Chairman of the Advisory Council. The report shall cover monetary and credit conditions in the Arab Republic of Egypt. The report shall be submitted within three months of the end of the fiscal year.

Article 29

The CB shall disclose measures taken to apply monetary policy and its resolutions of a supervisory nature through its official publications in accordance with the rules and dates established in its charter. Said measures and resolutions shall also be published in the *Egyptian Official Gazette*.

Chapter 2 – Regulation of the Banking System

Section 1 – Establishment and Registration of Banks

Article 30

Without prejudice to agreements and laws concerning the establishment of several banks, all banks that engage in operations in the Arab Republic of Egypt and their branches abroad shall be subject to the law.

Article 31

Any person, authority, or establishment not registered according to the provisions of this law—excluding public legal entities that engage in banking activities within the framework of a deed of establishment—shall be prohibited from engaging in any banking activity.

“Banking activities” shall mean, in the application of this article, any activity that deals primarily and regularly with the acceptance of deposits, obtainment of financing, investment of the funds in the provision of financing and credit facilities, participation in the capital of companies, and anything considered a banking activity according to banking custom.

Any establishment not registered according to the law shall be prohibited from using the word “bank” or any similar expression in any language in its name, commercial address, or advertising.

Article 32

Any establishment wishing to engage in banking activities shall be registered according to the following conditions in a special register with the CB that is prepared for this purpose and approved by the CBBD:

1. The bank assumes one of the following forms:

- a. An Egyptian joint-stock company whose shares are all nominal.
- b. A public legal entity whose objectives include the undertaking of banking activities.
- c. A branch of a foreign bank whose head office possesses a specific nationality and is subject to the supervision of the monetary authority in the country in which its head office is located.

2. The establishment’s issued and fully paid-up capital shall not be less than LE500 million. The capital allocated for the activity of a foreign bank branch in the Arab Republic of Egypt shall not be less than \$15 million or the equivalent in free currencies.

3. The CB Governor shall have approved, after the CBBD has done so, the charter of the bank and the management contracts concluded with any party commissioned to manage the bank. This provision shall apply to any renewal or amendment of a charter or management contract.

The branches and agencies of a licensed bank shall be registered in the aforesaid register. The approval of the CBBD must be obtained before a branch or agency is established and before it opens for business.

Article 33

A registration application shall be submitted to the CB according to the requirements and conditions stated in the implementing regulation of this law after LE10,000 is paid for the head office and LE7000 is paid for each branch or agency. The proceeds of these fees shall be deposited in a special account in the CB for [for the funding of] supervision. The CBBD shall issue a resolution regarding the regulation of this account and the rules for disbursement from it.

A registration applicant shall be notified of the acceptance of his application or the documents or statements that he must provide. Said notification shall be by means of a registered letter accompanied by a receipt that is sent within 30 days of the submission of the application.

If an applicant does not provide the required documents or statements within 90 days of the date of the aforesaid notice, he shall forfeit his right regarding his application.

The decisions issued by the CBBD to accept registration applications shall be published in the *Egyptian Official Gazette* at the expense of the party that is licensed.

Article 34

The CBBD shall deny a registration application in a justified decision in any one of the following cases:

- a. Any provision of this law, its implementing regulation, or decrees implementing this law has been violated.
- b. The licensing of the concerned bank, branch, or agency is inconsistent with the interest of the general economy or circumstances pertaining to the area where the establishment of the bank, branch, or agency is requested.
- c. The commercial name adopted by the bank resembles the name of another bank or establishment in a way that causes confusion.

An applicant shall be notified of a justified denial decision in a registered letter accompanied by a receipt within 30 days of the date on which the decision is issued.

In all cases stipulated in this article and in Article 33 of this law, the fees paid by the applicant shall not be returned.

Article 35

The CB Governor may, after obtaining the consent of the CBBB, permit foreign banks to open representation offices in the Arab Republic of Egypt based on the following conditions:

- a. The foreign bank does not have branches in the Arab Republic of Egypt.
- b. The foreign bank's head office is subject to the supervision of the competent authority in the country where its head office is located.
- c. The activity of the representation office shall be limited to studying markets and investment possibilities, serving as a liaison with the head office abroad, and helping surmount problems and difficulties facing its correspondent banks in the Arab Republic of Egypt.

These offices may not engage in any banking or commercial activity, including that of commercial agents and financial brokerage.

These offices shall be registered after they are recorded according to Law No. 159 of 1981 on Joint Stock Companies, Partnerships Limited by Shares, and Limited Liability Companies in the special registrar with the CB in accordance with the measures stated by the implementing regulation of this law after payment of a registration fee of LE5000, which shall be deposited in a special account in the CB for supervision.

The aforesaid representation offices shall be subject to the supervision of the CB. The CB shall be entitled to examine, at any time, the books and records [belonging] to these offices and to request data that achieves the objectives of control and supervision over these offices. If a commercial representation office violates any of the conditions stipulated in this article, the office shall be notified in a registered letter accompanied by a receipt to submit a defense within 15 days of the date of the notice. If a violation is proven, the office shall be removed from the registrar by a justified decision issued by the CB Governor.

Section 2 – Supervision of the Management of Banks

Article 36

The CBBB may, according to the conditions and rules which it establishes, permit banks and branches of foreign banks whose transacting is limited to free currencies to transact in the domestic currency.

Article 37

The CB shall obtain, from foreign banks which have branches in the Arab Republic of Egypt, a guarantee of all of the deposits with the branch and all of its other obligations in the manner stipulated by the CBBD

Article 38

The CB must be notified of any desired amendment to a bank charter any change in the statements submitted when registration was requested.

Said notification shall be submitted on the form prepared by the CB for this purpose. No amendment may enter into force before it is approved by the CB and endorsed on the margin of the register.

Article 39

A bank must have funds in the Arab Republic of Egypt equivalent to its obligations owed for payment in the Arab Republic of Egypt in addition to the minimum issued and paid-up capital stipulated in Article 32 of this law.

Regarding the application of this article, the calculation of the funds of a bank in the Arab Republic of Egypt shall take into account the funds that the bank is permitted to hold abroad with the CBBD's authorization.

Article 40

Each bank shall be authorized to determine the rates of return on the banking operations which it undertakes according to the type of operation. Each bank may also set rates for the banking services in which it engages without adhering to the limits and provisions stipulated in any law. In all cases, the bank must disclose to a client the rates of return and prices of banking services according to the disclosure rules specified by the implementing regulation of this law.

Article 41

Any bank may merge with another bank with the prior permission of the CBBD after taking the measures issued by resolution of the CBBD, subject to the guaranteeing of the rights of the absorbed bank's employees.

A merger shall result in the deletion of the absorbed bank's registration. The deletion shall be published in the *Egyptian Official Gazette* within 10 days of the issuance of the merger decision.

Article 42

No bank may cease its operations without the prior consent of the CBBD.

Such consent shall be issued after it is ascertained that the bank has provided adequate guarantees or has been released conclusively from its obligations to deposit holders and other creditors and has guaranteed the rights of employees according to the conditions and measures issued by resolution of the CBBD.

Article 43

Without prejudice to the authority of a bank's general assembly, the opinion of the CB Governor shall be obtained regarding: the appointment of the chairmen and members of the boards of directors of banks; the appointment of the executive directors responsible for credit, portfolio management, foreign transactions (including swaps), and internal inspection; and the list of candidates submitted by the concerned parties for presentation to the CBBD.

The CB Governor may, after the presentation to the board of directors, request the dismissal of one or more of the persons stipulated in the previous paragraph if an inspection demonstrates that the a bank has violated rules concerning the safety of depositors' funds and the soundness of the bank's assets. If the dismissal is not carried out, the Governor may issue a justified decision barring any such person from his work. The concerned party may complain to the CBBD regarding the decision to bar him within 60 days of being notified of the decision.

Article 44

A federation shall be established among the banks subject to this law. Its charter shall be issued by decision of the CBBD. The federation shall be an independent legal entity. It shall be registered in the register pertaining to the CB. The resolution establishing it and its charter shall be published in the *Egyptian Official Gazette* at the federation's expense.

The current federation established among the banks subject to this law shall continue to enjoy the status of a legal entity. It must bring its conditions into compliance with the previous paragraph within three months of the law's entry into force. Each bank or foreign branch subject to the law must join the federation and comply with its charter and the standards which it establishes. The professional standards and rules established by the federation shall not apply until after the CBBD has approved them. The CB Governor shall appoint a representative to the federation. The representative shall be entitled to attend the federation's meetings and participate in its discussions. The representative shall not have a vote in deliberations. The federation may take administrative measures stipulated in its charter against any federation member that violates the charter or sound professional principles.

Article 45

A banking institute shall be established subordinate to the CB. It shall be a legal entity and shall have an independent budget. Its head office shall be in the city of Cairo. It shall be authorized to act to develop skills in banking, financial, and monetary activities and to combat money laundering among the employees of the CB and agencies operating in these areas. It shall also instill the principles of sound professional behavior.

The institute may seek the assistance of international experts to support its capabilities. It may also send missions abroad to become familiar with new developments in its area of activity. The Banking System Employee Preparation and Training Center must bring its conditions into compliance with the first paragraph of this article.

Article 46

The institute shall have a board of directors whose composition shall be issued by decision of the CBBD. The chairman of the institute's board of directors shall represent the institute before the judiciary and in contacts with other parties.

Article 47

The institute's board of directors shall be authorized to formulate and monitor the implementation of the institute's general policy. In particular, it may:

1. Adopt financial and administrative regulations for the institute, including the institute's operating and management methods and regulations governing the remuneration of the institute's trainers, technicians, researchers, and employees without adherence to the laws and regulations in effect in the Government, public sector, or public business sector.
2. Approve the establishment of branches of the institute outside the city of Cairo.
3. Strengthen relations and ties between the institute and other institutes and counterpart centers in the Arab Republic of Egypt and abroad.
4. Approve annual training programs for the institute and reports monitoring the implementation of the institute's programs. The institute's board of directors shall inform the CBBD of these reports.

Article 48

The resources of the institute shall comprise:

- a. Appropriations set aside for it by the CB.
- b. Aid received by the institute from various agencies with the approval of the CBBD.

c. Sums paid by different banks and agencies for the training of their employees at the institute.

d. Any other resources received in exchange for services provided by the institute to another party.

The consideration mentioned in paragraphs (c) and (d) shall be set in a resolution issued by the CBBD based on the recommendation of the institute's board of directors.

Section 3 – Rules on the Ownership of Shares of the Capital of Banks

Article 49

Egyptians and non-Egyptians may own the capital of a bank without adhering to the maximum stipulated in any other law without prejudice to the following articles.

Article 50

Any natural person or legal entity that possesses five percent of the issued capital of any bank must notify the CB to this effect within 15 days of the acquisition of the capital. Notification shall be made on a form prepared for this purpose by the CB. If this acquisition was effected before this law's entry into force, the period within which notice must be given shall be calculated starting on the date of this law's entry into force.

Article 51

No natural person or legal entity may possess more than 10 percent of the issued capital of any bank or any percentage leading to effective control of the bank without first obtaining the authorization of the CBBD according to the rules established by the implementing regulation of this law. Any action in violation of this provision shall be null.

In the application of the provisions of this article, "effective control by a natural person or legal entity" shall mean the holder of any percentage [of a bank's capital] that would enable him to appoint the majority of the members of the bank's board of directors or to control in any way the decisions issued by its general assembly.

In calculating the ownership of a natural person, the capital held by that person and by any relative of that person up to the fourth degree shall be taken into account. In calculating the ownership of a legal entity, the capital owned by that entity and by the members of its board of directors or any shareholder, whether a natural person or legal entity, or by any other legal entity under the effective control thereof shall be taken into account. The calculation shall also include the total capital held by more than one natural person or legal entity that have an agreement on the exercise of their rights in the bank's general assembly or board of directors, where this total leads to the effective control of any one of them.

Article 52

If a person comes to hold, through an inheritance or a will, more than 10 percent of a bank's issued capital or a percentage conducive to his effective control over that bank, and the person does not request continued ownership under Article 53 of this law does, he must bring his positions into compliance according to the rules established by the CBBB within two years of the transfer of the increase to him. Failure to do so within this period shall deny him rights to vote in the assembly or board of directors commensurate with the capital held beyond the aforesaid limit.

Article 53

A request for authorization to hold more than 10 percent of the issued capital of a bank, or to hold any percentage leading to effective control of the bank, must be submitted to the CB at least 60 days before the acquisition of the capital. The request shall be submitted on the CBBB-authorized form according to the requirements and procedures stated by the implementing regulation of this law. A report stating the reason and objectives for the acquisition of the shares, the requestor's plans and intended policy regarding the management of the bank shall be attached to the request. If capital is acquired by an inheritance or will, a request for continued ownership must be submitted within 30 days of the date of the requestor's knowledge of the shares bequeathed to him by inheritance or will.

The request stipulated in the previous two paragraphs shall be published within 30 days of being submitted according to the procedures stipulated by the implementing regulation of this law. Any interested party may submit, to the CB, a justified objection to the request within 10 days of the publication of the request.

Article 54

The request stipulated in Article 53 of this law may not be approved if the following becomes evident to the CB:

- a. A significant deficiency in the statements, or any inaccuracy in the data, contained in the request.
- b. Approval of the request could limit competition or disrupt activity in the banking market.
- c. The requestor is a foreign bank or foreign financial institution not subject to the supervision of the competent authority in the state where its head office is located.
- d. The requestor lacks expertise in banking activity or has been convicted of a crime involving a breach of honor or trust or any other crimes stipulated in this law or Law No. 80 of 2002 on the Combating of Money Laundering.

Article 55

The requestor shall be notified of the decision to approve or deny the request mentioned in Article 53 of this law within 60 days of submitting the request. Said notification shall be by means of a registered letter accompanied by a receipt. A decision denying a request must be justified.

If a decision is issued to deny a requestor's continued ownership of a percentage bequeathed or willed to him, the CB shall issue a decision requiring him to dispose of that percentage within one year of the date on which he is notified of the denial decision. The CB may extend this period for up to one additional year. Failure to dispose of the percentage within this period shall result in the owner not having voting rights in the general assembly or board of directors with respect to the percentage that exceeds the limit stipulated in Article 52 of this law.

Section 4 – Bank Supervision and Deposit Guarantee**Article 56**

The CBBB shall establish rules for the control and supervision of banks and regulations relating to the activities of banks according to this law, subject to international banking custom. These rules and regulations must in particular include:

- a. The minimum capital adequacy criterion.
- b. The maximum limits on the concentration of banks' investments abroad.
- c. The maximum limits on indebtedness to abroad, and guarantees submitted for financing executed abroad.
- d. The maximum limits on the credit value of guarantees submitted against financing and credit facilities, and the setting of maturity terms.
- e. The liquidity ratio and reserve ratio.
- f. The maximum limits on a bank's investments and securities, real estate financing, and consumer credit, subject to paragraph 3 of Article 60 of this law.
- g. Rules for the opening of accounts and engagement in banking operations.
- h. The criteria to be followed to value each type of bank asset.
- i. Disclosure rules, the statements that must be published, and the publication method.
- j. Rules on the maximum bonds which each bank may issue or guarantee, and issuance or guarantee requirements.

k. The maximum limits on the investment of a single client, the parties associated with the client, and the parties associated with the bank, subject to Article 71 of this law.

“Parties associated with the client” and “parties associated with the bank” shall mean the parties that are effectively controlled by the client and the parties effectively controlled by the bank respectively, according to the meaning of “effective control” in Article 51 of this law.

Article 57

The granting of credit to a client shall be contingent on the client having a good reputation and adequate equity, and on studies showing that the projected monetary flows from the client’s activities suffice to cover his obligations.

A bank may, in the situations which it shall determine, request that a client provide additional guarantees, whether real or of another type acceptable to the bank.

The implementing regulation of this law shall state the criteria for the evaluation of guarantees provided to a bank for financing and credit facilities which the bank provides to the client. The implementing regulation shall also state the necessary rules for the application of the provisions of this article. Credit may not be renewed or changed before the client confirms the balances of financing and credit facilities granted to him by the bank.

Article 58

The CBBB shall establish the criteria which must be observed in classifying the financing and credit facilities granted by the banks, the criteria which must be observed in the irregular classification of financing and credit facilities, and the balances resulting from this classification.

Each bank shall establish the measures that must be taken to deal with irregular financing and credit facilities. The management of each bank must comply with the aforesaid criteria and carry out the aforesaid measures. The auditors must also ascertain the bank management’s compliance with the aforesaid criteria and must their findings in this regard in the annual report that is presented with the bank’s financial lists to the bank’s general assembly. If inspection reports prepared by the CB show that the bank’s management has violated any of the aforesaid criteria, the violating bank must be warned to eliminate the violation within 30 days of being warned to do so. Otherwise, the CB may take measures against the bank as it deems appropriate and as specified by the implementing regulation of this law.

The CBBB must be provided with a report every six months on the irregular financing and credit facilities which the CB receives from the banks, so that the CBBB may make a decision regarding such financing and facilities as it deems necessary and appropriate.

Article 59

The CBBD shall establish rules that regulate bank liquidity rates and investment areas. It may in particular:

- a. Set the percentage and type of liquid funds that must be held by the banks.
- b. Stipulate the areas in which banks must refrain from investing.
- c. Stipulate the provisions that must be available to cover assets exposed to sharp fluctuations in their value.

If a bank violates the resolutions of the CBBD regarding the rules for calculating the liquidity ratio, the CBBD may decide to subtract a sum from the bank's balance with the CB. This sum shall not exceed two-thirds of the value of the return on the deficit in the ratio at the discount rate for the period during which the deficit occurred.

If a deficit continues for more than one month, the CBBD may take any of the measures stipulated in Article 135 of this law in addition to subtracting the sum mentioned in the previous paragraph.

Article 60

A bank shall be prohibited from:

1. Issuing notes payable to their bearer on demand.
2. Accepting shares comprising the bank's capital as a guarantee of financing, or transacting in the bank's shares, subject to the provisions in this regard in Law No. 159 of 1981 on Joint-Stock Companies, Partnerships Limited by Shares, and Limited Liability Companies, unless the shares have been transferred to the bank in payment of a debt to the bank by another party, provided the bank sells them within six months of the transfer of ownership.
3. [Allowing] the nominal value of shares or stocks held by the bank for other than trading purposes to exceed the bank's capital base whose calculation is stipulated by the implementing regulation of this law.
4. Entering as an active partner into a partnership or partnership limited by shares.
5. Transacting in movable property or real estate through purchasing, selling, or barter, excluding:
 - a. Real estate designated to house the management of the bank's activities or for the recreation of its employees.

b. Movable property or real estate whose ownership is transferred to the bank in settlement of a debt owed to the bank by another party. In this case, the bank must dispose of such moveable property and real estate within one year and five years respectively of receiving ownership of it. The CBBB may extend this period if the circumstances require. It may also exclude several banks from this prohibition according to the nature of their activity.

Article 61

It shall be prohibited for a bank to provide financing, sums under an account, credit facilities, or a guarantee of any type to the chairman and members of its board of directors, its auditors, or their spouses, children, or relatives up to the second degree, or to any entity in which the latter or their spouses, children, or relatives up to the second degree are partners and shareholders having effective control or are members of the boards of directors in their personal capacity.

Article 62

A natural person or legal entity that obtains financing or credit facilities from a bank must disclose, [on the financing or credit application,] the owners of the [concerned] establishment or the shareholders or percentage of shares held in closed joint-stock companies, the degree of kinship if any among them, and debt balances with other banks upon submission of the application. The application may not be considered until the aforesaid information is provided and verified.

Article 63

The board of directors of each bank shall formulate regulations for granting credit to clients, procedures for determining credit worthiness and verifying information submitted, procedures for granting credit, and the method for supervising the use of the credit.

The bank's bylaws shall specify the credit granting and approval authorities of the managers at the head office and branches. The bylaws shall also stipulate the minimum with respect to credit applications submitted to the bank's board of directors.

The classification prepared by the department concerned with credit granted to clients shall be presented to the bank's board of directors at its periodic meetings.

Article 64

Each bank must ascertain that financing and credit facilities are used for the purposes and in the areas stipulated in the credit authorization. Each bank must monitor the use of financing and credit facilities.

A client may not use financing of credit facilities for other than the purposes or in other than the areas stipulated in the credit authorization.

Article 65

Each bank must establish a system for the ongoing, immediate recording of the positions of clients who obtain financing or credit facilities. This system must be linked to the consolidated database in the CB. The CB may request that any bank make the necessary changes to update the aforesaid system and ensure that its data include the positions of its debtor clients.

Each bank must notify the CB, in a statement, of the position of each client who obtains financing or credit facilities.

Article 66

The CB shall establish a centralized system for recording the balances of financing and credit facilities granted to clients of banks operating in the Arab Republic of Egypt. The CB shall also establish a system for recording such banks' debt balances with parties abroad and the guarantees which these banks provide to such parties. The information needed to supervise credit granted to bank clients and parties associated with them and external indebtedness shall be kept in these two systems.

The CB shall also establish a system for recording balances of financing granted by lease financing companies and real estate financing companies to their clients. These companies must provide the necessary data in this regard to the CB every three months at most.

The implementing regulation of this law shall stipulate the contents and operating methods of the aforesaid systems.

Article 67

Immediately upon receiving data on the balances of financing and credit facilities granted by the banks, the CB shall prepare a consolidated statement of the financing and credit facilities granted to each client and parties associated with the client before the client is given financing or credit facilities. The client may request an extract of this statement pursuant to the conditions and requirements issued by decision of the CBBD.

Article 68

The CB shall prepare a register of consulting firms capable of collaborating in the valuation of guarantees provided to the banks. The implementing regulation of this law shall regulate the rules, requirements, and procedures concerning registration in this register. It shall also stipulate the obligations of the persons in charge of it. These firms shall be responsible for the content of valuation reports.

Article 69

Each bank shall keep a record of the real estate-backed guarantees provided by clients to guarantee financing and credit facilities granted to them. Each bank must ascertain the seriousness of such guarantees and check the ownership deed and value [of the collateral] when granting credit.

The audit committee stipulated in Article 82 of this law must ascertain that the executive management of the bank has audits the values of such guarantees periodically. It shall also stipulate the measures that must be taken to cover any drop in these values.

These records shall be subject to inspection by the CB. The CB may request the strengthening of guarantees when necessary.

Article 70

Each bank must evaluate at least once every six months its investment risks, its credit portfolio, and the measures taken with respect thereto. Each bank must also take the necessary measures to cover new risks. The evaluation shall be presented to the bank's board of directors at its first meeting after the evaluation is completed.

Article 71

The CBBB may, in cases where it deems doing so necessary, set the percentage of credit that a bank may grant to any one client and parties associated with that client. In all cases, this percentage must not exceed 30 percent of the bank's capital base.

Article 72

It shall be prohibited for employees of the CB's banking supervision agencies to work in, or serve on the boards of directors of, supervised banks.

Article 73

The financial lists of bank shall be prepared and published in two daily newspapers every three months. A summary of the auditor's report shall be attached to these lists according to the Egyptian Auditing and Accounting Standards.

Article 74

Each bank must keep a credit balance as a reserve with the CB. This balance shall be a percentage of the bank's deposits with the CB as stipulated by the CBBB. The CBBB may decide to provide a return on this balance in cases in which it deems doing so appropriate, according to the rules which it shall establish.

If a bank violates the resolutions of the CBBD regarding the rules for calculating the reserve ratio, the CBBD may deduct a sum from the bank's credit balance with the CB equal to the value of the return at the discount rate on the value of the deficit in the credit balance for the period during which the deficit occurs.

If the deficit exceeds five percent of what the balance must be, the CBBD may take any of the measures stipulated in Article 135 of this law in addition to deducting the sum mentioned in the previous paragraph.

Article 75

Each bank shall submit, to the CB, monthly statements on its financial position and other financial and supervisory statements. It shall do so at the times and according to the forms that are established by resolution of the CBBD.

Article 76

Each bank shall submit, to the CB, a copy of each report that it submits on its activities to its shareholders. It shall do so at least 21 days before the date on which its general assembly meets. Each bank must submit, to the CB, a copy of the minutes of each general assembly meeting within 30 days of the date on which the meeting is held.

The CB may delay the holding of a general assembly in situations in which it deems doing so appropriate for up to 30 days.

Article 77

Each bank shall submit, to the CB, the data and clarifications requested by the CB regarding the operations which the bank executes. The CB shall be entitled to examine the bank's books and records to ensure obtainment of the reports and clarifications which it deems necessary to achieve its objectives. Any such examination shall occur at the bank's head office. It shall be undertaken by CB inspectors and their assistants, who are appointed by the CB Governor for this purpose. CB inspectors may obtain a copy of any document needed to achieve the purposes of the inspection.

Article 78

Each bank shall convey a statement of each client's account balance every three months at most.

The client may approve or object to the content of the account statement within 15 days of being notified of the balance. The client may do so in a registered letter accompanied by a receipt. If the client does not object within this period, he shall be regarded as having approved the correctness of the account statement unless he demonstrates otherwise.

The filing of an action by a client against a bank to determine sums owed shall not result in the suspension of any judicial or non-judicial measures taken by the bank to claim sums owed to it by the client in execution of agreements concluded between the bank and the client within the limits of the sums previously agreed by the client unless the competent court orders the suspension of such measures.

Article 79

The CBBD may, in the event that a bank is exposed to financial problems that affect its financial position, request that the board of directors of the troubled bank provide the additional financial resources that are required in the form of an increase in the paid-up capital or the deposit of collateral assets with the bank according to the terms and rules established by the CBBD within the period which the latter stipulates. Otherwise, the CBBD may stipulate an increase in capital as it deems necessary and offer it for subscription based on the procedures and terms which it decides. Or, it may issue a decision to merge the bank with another bank on condition of the absorbing bank's approval. Or, it may delete the troubled bank's registration. All of the aforesaid measures shall be according to the rules established in this regard.

A bank shall be considered exposed to financial problems when one of the following cases applies to it:

- a. The bank's assets are unable to cover its obligations, causing damage to depositors' funds.
- b. There is a noticeable drop in the bank's assets or revenues due to a violation of laws or regulations in effect or as result of dangerous practices inconsistent with the principles of banking activity.
- c. The bank follows unsound methods in managing its activity, resulting in a noticeable drop in equity or damage to the rights of depositors and other creditors.
- d. There are strong indications that the bank will not be able to cover depositors' demands or fulfill its obligations in normal circumstances.
- e. The value of equity in the bank is lower than the provisions whose formation is required.

Article 80

A bank's registration shall be deleted by decision of the CBBD if:

- a. It is proven that the bank violated this law, its implementing regulation, or decrees issued to execute this law, and the violation is not rectified according to the period and terms stipulated by the CBBD.
- b. The bank pursues a policy conducive to damaging the public economic interest or the interests of depositors or shareholders.

- c. The bank ceases engaging in its activity.
- d. The bank declares bankruptcy; or a decision is made to liquidate the bank.
- e. It becomes evident that the bank was licensed based on erroneous statements provided by the bank to the CB.

A decision to delete a bank's registration shall be issued only after the bank has been notified in a registered letter accompanied by a receipt to submit a written defense within 15 days of the date of being so notified.

A deletion shall be by decision of a majority of at least two-thirds of the members of the CBBD. The deletion decision shall be published in the *Egyptian Official Gazette* within ten days of being issued.

Article 81

Without prejudice to the interests of transactors with the bank, the deletion of a registration shall result in the bank's cessation of activity and the bank's liquidation. In this case, the CBBD may decide to liquidate the bank's operations immediately, or it may permit it to temporarily carry on the operations in which it engaged at the time of the deletion according to the terms that the CBBD establishes for this purpose.

Article 82

Each bank shall form an internal audit committee comprising three non-executive members of its board of directors selected by the board. Each bank shall also establish an executive committee. The bank's board of directors shall form the executive committee from among its executive members and bank employees. The implementing regulation of this law shall determine the purviews and method of operation of the two aforesaid committees.

The audit committee must hold a meeting every three months at most. The bank's auditor shall attend the meeting. The committee may seek the assistance of whomever it deems appropriate to assist it in the discharge of its function. It shall present its recommendations to the bank's board of directors and to any of the auditors who requests the convening of a meeting of the committee as he deems necessary.

Article 83

Without prejudice to the Central Accounting Agency Law, two auditors shall be responsible for auditing the bank's accounts. They shall be selected from among the auditors registered in the register prepared for this purpose in consultation between the CB and the Central Accounting Agency.

A single auditor may not audit the accounts of more than two banks simultaneously. The CB may, after consultation with the Central Accounting Agency, submit the name of an auditor from the register. The bank must notify the CB of the appointment of the two auditors within three days of appointing them.

The CB Governor may, for reasons which he deems appropriate, assign a third auditor a specific task. The CB shall bear the cost of the third auditor.

Article 84

The two auditors must prepare their audit report on the bank's financial lists according to the law and the Egyptian Auditing Standards. Their report must include a statement as to whether the operations which they audited violate any provision of this law, its implementing regulation, or decrees issued to execute this law. They must send, to the CB, at least 21 days before the convening of the bank's general assembly, a copy of their report accompanied by a copy of the financial lists and a detailed report that includes the following:

- a. The methods used to value the bank's assets and to estimate its commitments and obligations.
- b. The extent of the adequacy of the internal supervision system in the bank.
- c. The extent of the adequacy of provisions to cover any deficit in the value of assets and any obligations that may encumber the bank, including a determination of the deficit in provisions if any.
- d. Any supervisory standards or rules that the CBBD deems should be checked by the auditors.

The bank's general assembly may not convene before receipt of the CB's remarks on the report submitted to CB on the bank's financial lists. The CB Governor may, within 15 days of receiving the report and the aforesaid attachments, issue a decision not to authorize the proposed distribution of profits to stockholders and other shareholders if a deficit in provisions or a drop in capital adequacy below the minimum established standard has become evident, or if the auditor's report contains a reservation that has a general effect on distributable profits.

Article 85

The two account auditors shall be responsible for the content of the report concerning the credit portfolio and risks stemming from credit and investments. The bank's general assembly may request that the Central Accounting Agency investigate any deficiencies in the reports submitted by the two auditors.

If a deficiency is proven in the two auditors' performance of the tasks assigned to them, as defined in the Law on the Practice of the Accounting and Auditing Profession, the Central

Accounting Agency may, after first obtaining the CB's opinion, request that the bank's general assembly dismiss the two auditors and take the necessary measures to hold them accountable for their deficiency.

Article 86

The CBBB shall annually establish a fee for the supervision of banks registered with it. The fee shall be paid in January of each year. It shall not exceed LE1 for each LE10,000 of the bank's average monthly position during the year.

In the event of arrears in payment of the fee, a return shall be owed based on the discount rate announced by the CB.

The proceeds of this fee shall be deposited in the account pertaining to control and supervision and shall be disbursed to cover the requirements of banking control and supervision, the updating and upgrading of the CB's operating systems, and the training of CB staff.

Article 87

A fund designated the Bank Deposit Insurance Fund shall be established in the CB. This fund shall be a legal entity and shall have an independent budget. It shall have a board of trustees chaired by the CB Governor. Its head office shall be in the city of Cairo. The members of the fund shall include all banks registered with the CB.

The fund's charter shall be issued by decree of the President of the Republic based on the CB Governor's recommendation and the Prime Minister's proposal. The charter must in particular include the following:

- a. The goals of the fund and the means for achieving them; and the regulation of the fund's relationship with the banks.
- b. The setting of the fee to join the fund and the annual dues of member banks.
- c. Formation of a board of trustees; and the method for operating the fund.
- d. The method for guaranteeing deposits; and the setting of the maximum guarantee.
- e. The financial resources of the fund; and rules and aspects regarding the disbursement thereof.
- f. The method for auditing the fund's accounts.

Surplus monies in the fund shall be carried over from one fiscal year to another.

Article 88

The CBBD may, based on the recommendation of the fund's board of trustees, take any of the following measures if any bank violates the fund's charter or decrees issued in implementation of its charter:

- a. Issue a warning.
- b. Require the bank to pay a sum not to exceed five percent of its most recent membership dues. This percentage shall be increased to ten percent if a violation is repeated. The proceeds of these sums shall be added to the fund's resources.

Chapter 3 – Management of Public-Sector Banks

Article 89

Without prejudice to Article 43 of this law, public-sector banks shall be subject to the same provisions to which all other banks are subject unless specially stipulated in this chapter.

In all cases, these banks shall not be subject to Law No. 97 of 1984 on Public-Sector Authorities and Their Companies.

Article 90

Each public-sector bank shall have a board of directors comprising:

- a. A chairman of the board of directors.
- b. Two deputy chairmen of the board of directors.
- c. Six specialists in banking, monetary, financial, economic, and legal affairs who have previous experience in banking operations.

The chairman and members of the board of directors shall be appointed by decree of the Prime Minister after he obtains the opinion of the CB Governor. An appointment in this case shall be for three years subject to renewal as stipulated by the implementing regulation of this law.

The two deputies shall be appointed by decree of the Prime Minister after he obtains the opinion of the chairman of the bank's board of directors. The Prime Minister shall determine by decree the salaries, allowances, and remunerations of the chairman of the board of directors and his two deputies, the remunerations of the specialist members who are not bank employees, and the allowances for attendance [of meetings of] the board of directors.

Article 91

The bank's board of directors shall approve all internal operating regulations. It shall also establish a schedule of wages, incentives, and allowances subject to the provisions in this regard in Law No. 12 of 2003.

Article 92

The board of directors of a public-sector bank shall appoint representatives to the banks and companies in which the public-sector bank holds shares. The appointment shall be for one period subject to renewal for another period. The bank's board of directors may change its representatives before the end of the board's tenure without prejudice to Article 43 of this law.

Article 93

Each public-sector bank shall have a general assembly formed, by decree of the Prime Minister, of banking, technical, financial, economic, and legal experts. This assembly shall be chaired by a representative of the holder of the majority of capital as defined by decree of the President of the Republic.

The general assembly of a public-sector bank shall in particular shall be responsible for:

- a. Approving financial lists and distribution of profits.
- b. Amending the charter to prolong or shorten the bank's term or to increase or decrease its authorized and paid-up capital.
- c. Approving the merger or splitting of the bank. A decision in this regard shall not be effective until after it is approved by the Council of Ministers.
- d. Adopting the bank's budget.

The general assembly shall be attended by the chairman and members of the bank's board of directors and the auditors, although they shall not have a vote.

Article 94

The private sector may acquire shares of the capital of banks wholly owned by the state. In this case, Law No. 159 of 1981 on Joint-Stock Companies, Partnerships Limited by Shares, and Limited Liability Companies shall apply to the bank, as shall the articles of Chapter 2, Section 3 of this law.

The Prime Minister shall appoint, by decree, public finance representatives to attend meetings of the bank's general assembly. The representation of such representatives shall be in proportion to the state's capital holdings in the bank.

Article 95

The General Government Budget shall not include the current and capital uses and resources of public-sector banks. The net profits of these banks shall be transferred to the General State Treasury after subtracting the stipulated reserves or retained profits.

Article 96

A fund shall be established to upgrade operating systems in public-sector banks, develop the skills and capabilities of employees in public-sector banks, and cover the expenses of these employees' participation in local and international training programs.

The resources of this fund shall comprise:

- a. Up to five percent of the net annual distributable earnings of the public-sector banks.
- b. Contributions of bank that benefit from the fund's services.
- c. Gifts, donations, and aid whose acceptance is approved by the Prime Minister.

The Prime Minister shall determine, by decree, the fund's charter, the effectiveness of that charter, and the entity to which the fund shall be subordinate.

Chapter 4 – Safeguarding Account Secrecy

Article 97

All clients' accounts, deposits, trusts, and safe deposit boxes in banks and transactions pertaining thereto shall be secret. They may not be examined. Nor may information on them be provided directly or indirectly without the written permission of the owner of the account, deposit, trust, or safe deposit box or his heir to all or a portion of the aforesaid property, or the written permission of a legal representative or authorized proxy, or based on a judicial ruling or arbitrators' ruling.

The prohibition stipulated in the previous paragraph shall apply to all persons and parties, including the parties authorized by the law to examine or obtain documents or statements whose disclosure is prohibited under this law. This prohibition shall continue to exist even if the relationship between the client and the bank is terminated for any reason.

Article 98

The public prosecutor, or a public attorney at grade one at least who is authorized by the public prosecutor, may, on his own accord or based on the request of an official agency or concerned party, petition the Cairo Court of Appeal to order the examination or obtainment of any statements or data pertaining to the accounts, deposits, trusts, or safe deposit boxes

stipulated in the previous article or to transactions pertaining thereto if necessary to uncover the facts in a felony or misdemeanor for which significant evidence exists.

In the event of the determination of a debt on the occasion of the seizure of a bank site subject to this law, any concerned party may file with the competent court of appeal the petition mentioned in the previous paragraph.

The court shall convene in camera to decide the petition within three days of the filing of the petition after hearing the statements of the Office of the Public Prosecutor or the concerned party.

The public prosecutor, or a public attorney at grade one at least whom he authorizes, and the concerned party, depending on the case, must notify the bank and concerned parties of the order issued by the court within three days of the issuance of the order.

The time stipulated for the determination of a debt shall start on the date on which the bank is notified of said order.

The public prosecutor, or a public attorney at grade one at least whom he authorizes, may order the examination or obtainment of any statements or data pertaining to the accounts, deposits, trusts, or safe deposit boxes stipulated in Article 97 of this law, or transactions pertaining thereto, if doing so is necessary to uncover the facts in a crime stipulated in Volume I, Chapter 2, Section 1 of the Penal Code or a crime stipulated in Law No. 80 of 2002 on the Combating of Money Laundering.

Article 99

The CBBB shall establish rules regulating the exchange, between the CB and the banks and among the banks, of data and statements concerning bank clients' debts and credit facilities so as to ensure the secrecy of such data and statements and to provide for the availability of the information needed to ensure the sound granting of banking credit. The CBBB shall also establish regulations that must be followed in preparing comprehensive audit reports on a bank in preparation for the sale of all or a portion of the bank's shares or the merger of the bank.

Article 100

It shall be prohibited for the chairman and members of the boards of directors and the managers or employees of a bank to provide or disclose any information or statements on the bank's clients or the clients' accounts, deposits, trusts, or safe deposit boxes or transactions pertaining thereto, or to enable a third party examine them in other than the cases permitted under this law.

Any person who directly or indirectly examines the aforesaid statements and data by virtue of his profession, position, or work shall observe the aforesaid prohibition.

Article 101

The provisions of Articles 97 and 100 of this law shall not prejudice the following:

- a. The duties assigned to the auditors of banks and the authorities granted by law to the CB.
- b. The bank's requirement to issue a certificate stating the reasons for its refusal to pay a check based on the claimant's request.
- c. The right of a bank to disclose all or a portion of the data pertaining to a client's transactions in order to establish the bank's claim in a judicial dispute between the bank and the client regarding said transactions.
- d. The stipulations of laws and provisions regulating the combating of money laundering.

Chapter 5 – Mortgaging of Property and Assets to Banks**Article 102**

Without prejudice to the provisions regarding the registration of an official mortgage of real estate, aircraft, and ships and a commercial mortgage of the commercial establishments stipulated in the laws regulating such establishments, and without prejudice to Law No. 148 of 2001 on Real Estate Financing, a request to register real estate mortgaged to a bank to guarantee financing and credit facilities shall be submitted to the land registry office located in the real estate district of the bank or mortgager. A deed of ownership shall be attached to the request, as shall a certificate of real estate transfers, including the names and information of the parties to the mortgage contract and a statement of the credit facility or financing value and terms. The request shall be recorded in a special register prepared for this purpose in the competent land registry office.

The competent land registry office must ascertain the correctness of the boundaries and specifications of the real estate after receiving the required documents based on the request and deed of ownership.

A request must be decided within seven days of the date on which it is submitted with the other required documents. A request for registration may not be denied unless the documents needed to conduct the registration have not been provided.

In all cases, the requestor must be notified of the acceptance of his request or the denial of his request, which must be justified, within seven days of the date on which the request is decided. Notice of the decision shall be served in a registered letter accompanied by a receipt.

Article 103

Without prejudice to the legally established provisions on the reduction of, and exemption from, fees charged for an official mortgage, all fees ordered for official and commercial mortgages shall be reduced by one-half when the bank submits a guarantee of financing and credit facilities. This reduction shall also apply when the value of a mortgage is renewed or amended. The maximum fees shall be as follows:

* LE25,000 when the value of the mortgage does not exceed LE10 million.

* L50,000 when the value of the mortgage does not exceed LE20 million.

* LE75,000 when the value of the mortgage does not exceed LE30 million.

* LE100,000 when the value of the mortgage exceeds LE30 million.

All fees shall be waived if such a mortgage is deleted.

Article 104

A commercial mortgage contract shall be prepared for commercial establishments that provide guarantees for financing and credit facilities granted by a bank after the bank authenticates a writ of execution in application of Article 280 of the Civil and Commercial Pleadings Law.

A commercial establishment may be mortgaged to a foreign bank to guarantee financing and credit facilities used in the Arab Republic of Egypt.

Article 105

If an agreement grants a bank, in its capacity as a mortgagee creditor, the right to sell mortgage securities if the debtor does not pay sums owed to the bank that are guaranteed by a mortgage when these sums fall due, the bank may sell those securities under the provisions that regulate the trading of securities on the stock exchange. It may do so ten days after a summons is served to the debtor, without the need to comply with the provisions stipulated in Articles 126 and 129 of the Commercial Law, Article 8 of Law No. 95 of 1992 on the Capital Market, and Articles, 59, 60, 61, and 61 bis (1), bis (3), bis (4), and bis (5) of the implementing regulation of the aforesaid law.

Chapter 6 – Regulation of the Issuance of Bank Notes and Foreign Exchange Operations

Section 1 – Regulation of Bank Notes

Article 106

The currency unit in the Arab Republic of Egypt shall be the Egyptian pound, which shall be divided into 100 piasters.

Article 107

Without prejudice to Law No. 50 of 1940 on the Issuance of Bank Notes, the CB shall have the exclusive right to issue bank notes. The CBBD shall determine the denominations and specifications of the bank notes that may be issued. Bank notes must bear the signature of the CB Governor.

Article 108

There shall be no limit on the acceptance of CB-issued bank notes in payment of debts.

Article 109

The value of issued bank notes must always correspond to a balance comprising gold, foreign exchange, foreign checks, Egyptian Government bonds and notes, and any other Egyptian bonds guaranteed by the Government.

Article 110

Gold, foreign exchange, and assets formed to cover issuance shall be deposited in the CB in Cairo, or in a public-sector bank in the Arab Republic of Egypt, or any bank abroad approved by the CBBD. The deposit shall be in the name and to the credit of the CB.

Section 2 – Regulation of Foreign Exchange Operations

Article 111

Every natural person or legal entity may keep any foreign exchange that is transferred to him, possessed by him, or acquired by him. Said person or entity shall be entitled to execute any foreign exchange operation, including domestic and foreign transfers and domestic transacting, provided such operations are executed through banks authorized to transact in foreign exchange.

A natural person or legal entity may also transact in foreign exchange through agencies licensed to conduct such transactions under the provisions of this law and its implementing regulation.

A register shall be established in the CB for the recording of the aforesaid agencies. The implementing regulation of this law shall state the requirements, rules, and procedures for registration in said register.

The purchase and sale of goods and services in the Arab Republic of Egypt shall be transacted in the Egyptian pound according to the rules specified by the implementing regulation [of this law] unless stipulated otherwise in an international agreement or other law.

Article 112

The rules and regulations pertaining to the regulation of supply and demand in the foreign exchange market shall be issued by decree of the Prime Minister based on the recommendation of the CBBD.

The exchange rate for the Egyptian pound against foreign currencies shall be set based on the interaction of the forces of supply and demand in the foreign exchange market in the light of the rules and regulations mentioned above.

Article 113

Authorized banks may execute all foreign exchange operations, including accepting deposits, transacting, transferring domestically and abroad, operating, and covering their foreign exchange balances. Only authorized banks may, with the CB's approval, export and import foreign bank notes and export foreign exchange.

If a bank violates rules and procedures concerning foreign exchange transactions, the CB Governor may take measures which he deems appropriate, including the suspension of the bank's foreign exchange transacting for up to one year.

Article 114

The CB Governor may license money-changing companies and agencies to transact in foreign exchange according to the provisions of this law. The CBBD shall specify the rules and procedures for such transacting.

If a company or agency violates the rules and procedures mentioned above, the CB Governor may suspend its license for up to one year. If a violation is repeated, the CB Governor may cancel the license and delete the registration of the company or agency from the register. A cancellation and deletion of a license shall be necessary if the company or agency ceases engaging in its activity, is merged with another company, declares bankruptcy, or is liquidated as a result of pursuing a policy conducive to damaging the public economic interest.

The CBBD shall stipulate, by a resolution, the licensure terms and operating method of these companies and agencies and the method by which the CB shall supervise them.

Article 115

A money-changing company shall be required to assume the form of a joint-stock company. All of the shares of such a company shall be nominal and held by Egyptians. The sole purpose of the company shall be to engage in money-changing operations. The money-changing company's capital shall be fully paid up and shall not be less than LE10 million.

Article 116

The conveyance of foreign exchange into and out of the country is guaranteed for all travelers, provided the amount of foreign exchange is disclosed upon entering or exiting the country if it exceeds \$10,000 or the equivalent in foreign exchange.

Persons entering or exiting the country may carry up to LE5000 in Egyptian bank notes.

It shall be prohibited to bring in or take out Egyptian currency by means of letters or postal packages.

The sums mentioned in the first and second paragraphs of this article may be amended by decree of the Prime Minister with the consent of the CB Governor.

Article 117

Authorized banks, money-changing companies, and entities licensed to transact in foreign exchange must submit, to the CB, statements on the foreign exchange operations which they execute, whether to their credit or to the credit of another party. The CBBD shall stipulate the times and content of, and the method and dates for submitting, the statements. The CB shall monitor the execution of foreign exchange operations according to the provisions of this law, its implementing regulation, and decrees issued to implement this law.

Chapter 7 - Penalties**Article 118**

Without prejudice to any penalty stipulated by the Penal Code or any other law, the crimes stated in the following articles shall be punished by the penalties stipulated therein in connection with each offense.

Article 119

Any person who violates the provisions of Article 31 of this law shall be punished by imprisonment and/or a fine of LE5000-50,000.

Any person who uses any type of financing or credit facility for other than the purpose or in other than the areas stipulated in the credit authorization shall be punished by the aforesaid

penalty. In the event of a repeat violation, the person shall be punished by both imprisonment and a fine.

Article 120

Any person who violates any of the provisions of Articles 38, 42, and 60 of this law shall be punished by a fine of LE50,000-100,000.

Article 121

Any person who violates any of the provisions of Articles 51 and 52 of this law shall be punished by a fine of LE100,000-200,000.

Article 122

Any person who fails to submit the statements, reports, or information mentioned in Articles 75, 76, and 77 of this law at the times designated for this purpose shall be punished by a fine of LE20,000-50,000.

Any person who fails to provide books, records, papers, or documents to any person entitled to examine them shall be punished by the aforesaid punishment in addition to being ordered to permit the examination of them.

Article 123

Any person who, with the intent to deceive, denies incorrect facts or conceals some facts in statements, minutes, or other documents that banks submit to the CB under the provisions of this law shall be punished by imprisonment and a fine of LE20,000-100,000.

Article 124

Any person who violates any of the provisions of Articles 97 and 100 of this law shall be punished by imprisonment of at least one year and a fine of LE20,000-50,000.

Article 125

Without prejudice to Article 124 of this law, any employee assigned to enforce the provisions of this law who discloses statements or data which he obtained because of his position shall be punished by imprisonment of up to two years and/or a fine of LE5000-10,000.

Article 126

Any person who violates any of the provisions of Article 116 of this law shall be punished by imprisonment of up to three months and/or a fine of LE5000-20,000.

Any person who violates any of the provisions of Articles 111, 113, and 117 of this law shall be punished by a fine of LE10,000-20,000.

Any person who violates the provisions of Articles 114 of this law or decrees issued to implement it shall be punished by a fine of LE100,000-500,000.

In all cases, the sums and objects that are the subject of an action shall be seized and the confiscation thereof ordered. If they are not seized, an additional fine equivalent to the value of the sum or object shall be imposed.

Article 127

A fine of LE500-1000 shall be imposed as punishment for any other violation of the provisions of this law or decrees issued to implement it.

Article 128

If a legal entity commits a crime, the person responsible for the actual management of the violating legal entity shall be sentenced to the same punishments stipulated for acts committed in violation of the provisions of this law when it is proven that the person had knowledge of the acts, and the crime occurred because of his breach of his employment duties. The legal entity shall be jointly liable with him for paying any financial penalties and damages adjudicated if the crime was committed by an employee of the legal entity in its name and on behalf of it.

Article 129

The court may, in the event of the crimes stipulated in this chapter, order the publication of a summary of any verdict to convict in one or more newspapers or the publicizing of the verdict by any other means at the expense of the convicted party.

Article 130

CB employees—so designated by decree of the Minister of Justice with the consent of the CB Governor—shall have the capacity of investigating officers with respect to crimes pertaining to their job functions that are in violation of this law and decrees issued to implement it.

Article 131

Within the scope of the application of this law, a criminal action may be filed and an investigative measure may be taken regarding the crimes stipulated in this law, decrees issued to implement it, and Articles 116 bis and 116 bis (a) of the Penal Code solely upon the request of the CB Governor or the Prime Minister.

Article 132

The CB Governor shall receive reports generated by the Office of the Public Prosecutor under Article 131 of this law and reports generated by supervisory and security agencies on banking violations, including violations pertaining to financing and credit facilities.

A special department comprising banking, economic, and legal experts shall be established in the CB. This department shall be responsible for examining and studying reports which the Governor receives under the [previous] paragraph and refers to it. The banks must provide this department with the documents, statements and data it requests in order to conduct its examinations and studies.

The aforesaid department shall prepare the results of its examination and study within 30 days of a report being referred to it. It shall attached to its results an opinion and shall present its report immediately upon completing it to the Governor so that the necessary measures can be taken in the light of the report and in accordance with the law.

Article 133

A bank subject to this law may conduct a settlement regarding the crimes mentioned in Article 131 of this law, even if a petition stipulated in this article is issued regarding those crimes. The bank may do so in any case of an action against it until a final judgment is issued in its matter on condition of the full satisfaction of the bank's rights under the terms of the settlement.

A protocol of the settlement shall be prepared, notarized, and signed [by both parties]. It shall have the force of a writ of execution. The investigating agency or competent court shall be notified of the settlement. A settlement shall be considered a waiver of the petition, resulting in the lapse of the criminal action—in all capacities—taken regarding the occurrence that is the subject of the settlement.

A fee shall be collected for the notarization. The fee shall be set by the implementing regulation of this law. It shall not exceed 50 percent of the value of the rights agreed to be paid according to the terms of the settlement.

Article 134

The CB Governor shall be entitled to deduct up to 10 percent of confiscated sums and additional fines for distribution to persons who provide guidance or assist in the control or detection of a crime committed in violation of the provisions of Chapter 5 of this law or in the execution of measures pertaining thereto pursuant to the rules established by the CBBB.

Article 135

Without prejudice to other penalties and measures contained in this law or in any other law, if it is proven that a bank violated any of the provisions of this law, the CB Regulations, or resolutions issued by the CBBD, the CBBD may:

- a. Issue a warning.
- b. Reduce or suspend credit facilities granted to the bank.
- c. Prohibit the violating bank from undertaking some operations or limiting the amount of credit which it may grant.
- d. Require the violating bank to deposit balances with the CB without a yield for the period deemed necessary by the CB, in addition to the credit balance stipulated in Article 74 of this law.
- e. Demand that the chairman of the violating bank's board of directors summon the bank's board to convene in order to examine violations attributed to the bank and take the necessary measures to eliminate the violations. In this case, one or more representatives of the CB shall attend the meeting of the board of directors.
- f. Appoint an observer-member to the bank's board of directors for a period to be set by the CBBD. This member may participate in the discussions of the board and may record his opinion on decisions made by the board.
- g. Dissolve the board of directors and appoint a commissioner to manage the bank for up to six months. This period may be extended for another six months. The commissioner shall, during his tenure, present an order to the bank's general assembly to select a new board of directors, or merge the bank with another bank, or liquidate the bank.