

**LAW NO. 163 OF 1957**

**PROMULGATING THE BANKS AND CREDIT LAW\***

**(Issued by a Presidential Decree)**

In the Name of the Nation

The President of the Republic

After having perused Law No 57 of 1951 establishing a Central Bank for the State,  
Law No 26 of 1954 regarding certain provisions concerning joint-stock companies, companies limited by shares and limited liability companies;

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\* Published (in Arabic) in the Official Journal No 53 bis (g) issued on  
13<sup>th</sup> July 1957 and amended by subsequent laws

Law No 20 of 1957 concerning the Economic Organization;

Law No 22 of 1957 on certain provisions concerning the pursuit of banking operations;

And upon the view of the State Council;

**DECREE THE FOLLOWING LAW**

**Article 1**

The provisions of the accompanying Law concerning banks and credit are to be applied.

**Article 2**

Every establishment subject to the provisions of the accompanying Law and carrying out business at the time it is issued must submit, within three months from the date it comes into force, an application for its registration in the Register prepared for this purpose at the Central Bank according to the rules and conditions stipulated in Articles 20, 21 and 22.

Such establishments are to be exempted from the conditions stipulated in Art. 21 provided that they should meet these conditions during the period and according to the rules and conditions stipulated by Law No. 22 for the year 1957 on certain provisions concerning the pursuit of banking operations.

The registration of an establishment shall be cancelled if it fails to meet the conditions contained in the Article within the fixed period.

**Article 3**

The Minister of Finance and Economy may, for the period and under the conditions he may determine, exempt any of the banks existing at the date this Law is issued from the application of Article. 39 paragraph D.

**Article 4**

With regard to matters concerning the Central Bank, the Minister of Finance and Economy exercises the functions conferred on the Economic Organizations by virtue of Law No 20 for the year 1957.

#### **Article 5**

The provisions of Article 17 apply to the bank notes issued by the National Bank of Egypt before the application of this Law.

#### **Article 6**

Law No 57 of 1951 establishing a Central Bank for the State, as well as whatsoever contradicts the provisions of the accompanying Law are hereby cancelled.

#### **Article 7**

This Decree shall be published in the Official Journal and shall have the power of the Law. It applies after the elapse of thirty days from the date it is published.

This Decree shall be stamped by the State Seal and shall be executed as one of the State's Laws.

Promulgated at the presidency of the Republic on 15 Zul Hegira 1376 (Hegira year), corresponding to 13 July 1957. A.D.

**Gamal Abdel Nasser**

### **Part 1**

#### **BANKS AND BANK CONTROL**

#### **CHAPTER 1 – THE CENTRAL BANK**

#### **SECTION 1 – THE BANK STATUTES AND PURPOSES**

#### **Article 1**

The National Bank of Egypt shall be the Central Bank of the State. It shall organize credit and banking policy and supervise its execution in conformity with the general plans of the State and in such a way as to ensure the fostering of the national economy and the stability of the Egyptian currency.

To achieve this end, the Bank shall apply the following means:

- One) To influence the flow of credit as regards volume, nature and rate in order  
To meet the real requirements of commercial, industrial and agricultural activities.
- b) To take suitable measures to address general and domestic economic or financial disturbances.
- c) To control banking institutions so as to ensure the soundness of their financial position.
- d) To manage the State reserves of gold and foreign exchange.

## **Article 2**

The Central Bank shall have a Board of Directors to exercise the powers authorized to the Bank in accordance with the provisions of the present Law.

The Board shall be formed of a Governor as a chairman, a Deputy - Governor, a number of members not less than three or more than seven, and two delegates from the Ministry of Finance and Economy having the same powers and rights of the other members.

## **Article 3**

The Governor and the Deputy-Governor shall be appointed by a Presidential Decree for a renewable period of five years; and both shall have no other occupation.

The two delegates of the Ministry of Finance and Economy shall be appointed by a Decree from the Minister of Finance and Economy.

The other members shall be elected by the General Assembly for a period of five years.

## **Article 4**

The Governor, his Deputy and the members of the Board shall fulfil the following qualifications.

- One) They should be Egyptian by birth.
- Two) They should have no serious interests in any other bank covered by the provisions of the present Law.
- Three) They should be enjoying all their civil and political rights.

## **Article 5**

The President of the Republic shall decree the Statutes of the Central Bank.

## **Article 6**

The Board of Directors shall exercise the powers conferred on the Bank by the present Law.

## **Article 7**

The Board of Directors shall convene upon invitation by the Governor to examine the matters put before them.

The Board shall also convene according to a demand submitted by half the number of members or upon the demand of the two delegates of the Ministry of Finance and Economy.

The Board shall convene at least twice every month.

The meeting shall not be valid unless attended by at least half of its members including one of the two delegates of the Ministry of Finance and Economy.

Decisions shall be taken by absolute majority, and in case of equal votes the side including the chairman shall have the casting vote.

### **Article 8**

The Governor shall manage all the Bank's affairs in conformity with the Board decisions.

### **Article 9**

The Central Bank shall prepare a weekly statement on its financial position compared with its position during the preceding week, according to the form established by the Board in agreement with the Minister of Finance and Economy.

This statement shall be published in the Official Journal; a copy signed by the Governor shall be sent to the Minister of Finance and Economy.

### **Article 10**

The auditing of the Bank accounts shall be entrusted annually to two auditors selected by the Minister of Finance and Economy.

The Bank shall place at the disposal of the auditors all books, papers and statements they deem necessary for carrying out their duty.

### **Article 11**

The net profits resulting from the note issue operations, after deducting the expenses as approved by the auditors, shall be divided between the Government and the Bank at the ratio of 85% for the Government and 15% for the Bank. Any increase arising from the revaluation of the gold in the note-issue cover accrues to the Government.

### **Article 12**

The annual net profits of the Bank-after deducting the transfers to the reserves and part of the profits to be carried forward-as may be decided by the Bank's Board-shall be appropriated for the payment of dividends to shareholders within 20% of the nominal value of the shares.

## **SECTION 11-THE CENTRAL BANK RELATIONS WITH THE GOVERNMENT**

### **Article 13**

The Bank shall act as the Government bank, and shall receive no charges for the services it renders to the Government.

The Bank-after the approval of its Board-may carry out banking operations for other public moral persons under the same conditions.

### **Article 14**

The Bank shall act on behalf of the Government in administering, floating, serving and amortizing the public debt.

The Bank shall give advice to the Government before concluding local or foreign loans.

#### **Article 15**

The Bank may advance loans to the Government to cover seasonal deficits in the State Budget within 10% of the average public revenue during the three preceding years. These loans shall be granted for three renewable months and shall be settled within 12 months at most from the date they are advanced.

The terms of these loans shall be determined by an agreement between the Government and the Bank according to the then prevailing monetary and credit conditions.

### **SECTION 111- ISSUE OF BANKNOTES**

#### **Article 16**

The Central Bank shall have the exclusive right to issue bank notes. The Minister of Finance and Economy- after consulting the Bank – shall fix the denominations, dimensions, designs and other specifications of the notes to be issued.

These notes shall bear the signature of the Bank's Governor.

#### **Article 17**

Notes issued by the Bank shall have unlimited legal tender.

#### **Article 18**

Banknote in circulation shall always have an equivalent cover consisting of gold, foreign bonds, Egyptian Government Bonds and bills, Egyptian bonds guaranteed by the Egyptian Government and discountable commercial papers.

The required amount of gold in the note-issue cover shall be fixed by a decree from the President of the Republic. The type and proportion of other assets shall be determined by a decision by the Minister of Finance and Economy after consulting the Bank.

### **Chapter 11- BANKS**

#### **SECTION 1 – GENERAL RULES**

#### **Article 19**

No person, organization, or establishment not registered according to the provisions of this Law shall practice any of the banking operations as basic or habitual pursuit.

The following are exempted:

- 1st) Public institutions conducting such operations within the limits of the decree by virtue of which they are established.
- 2nd) Finance houses, which lend money against mortgage.

C) Real estate companies and other organizations which deal with plots divisions or the construction of buildings and the selling thereof on credit.

**Article 19 bis \***

The Governor of the Central Bank of Egypt (CBE) shall have the power to authorize foreign banks to set up representation offices in the Arab Republic of Egypt on the following conditions:

- 1) They should have no branches in Egypt.
- 2) Their head offices must be subject to the control of the monetary authority in the country where these head offices are based.

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\* Added by Law No 37 for 1992.

3) The activities of representation offices shall be confined to conducting studies on the markets and on investment potentials. They shall act as liaison with their head offices abroad, and shall contribute to surmounting problems and

Difficulties that may encounter there head offices' correspondents in Egypt.

4) Representation offices shall refrain from performing any banking or commercial activities, including the activities of commercial agents and financial intermediaries.

Representation offices, following their establishment in accordance with Article 173 of Law No 159 of 1981, shall be recorded in a special register at the Central Bank of Egypt in compliance with the procedures stipulated in the Executive Regulations.

Representation offices shall be subject to the control of the CBE. The CBE shall have the right at any time to examine the books and records of the said offices and to obtain the data necessary for achieving the objectives of control and supervision over these offices.

In case a representation office violates any of the conditions stipulated in this Article, it shall be deleted from the register by virtue of a decree from the Governor of the CBE. The decree shall not be issued except after notifying the office by a registered letter with acknowledgment of receipt to present its defense in writing within two weeks from the date of notification.

The existing representation offices of foreign banks shall submit their request to the CBE, conveying their wish to conduct their activities in accordance with the provisions of this Law within a period of six months from the date of its enforcement.

**Article 20**

Application for registration shall be submitted to the Central Bank in accordance with the rules and conditions to be established by the Executive Regulations, and after settling the fees to be fixed by the said Regulations within L.E 100 for the head office and LE 50 for every branch or agency. The proceeds shall be credited to the account specified for control and supervision fees.

## **Article 21\***

Banks shall be recorded in a special register prepared for this purpose at the CBE following the approval of the CBE Board of Directors and according to the following conditions.

- 1) The banks shall take one of the following forms:
  - A) An Egyptian joint stock company whose shares shall all be nominal.
  - B) A public juridical person whose objective is to engage in banking activities.
  - C) A branch of a foreign bank whose head office enjoys a specified nationality and is subject to the control of a monetary authority in the country where the head office is based.
- 2) The CBE shall approve the statute of the bank and the management contracts concluded with any party to manage the bank. This provision shall apply to all renewals or modifications of the management contracts or the statutes existing at the time the present Law comes into force.
- 3) The authorized capital shall not be less than one hundred million Egyptian pounds and the paid- up capital shall not be less than fifty million pounds. The capital may be paid fully or partially in equivalent free currencies. As to branches of foreign banks, the funds ablated for their activities in A.R.E. shall not be less than fifteen million US dollars or the equivalent in foreign currencies.

Banks and branches of foreign banks which are registered with the CBE must fulfill these required capital limits within a period not exceeding four years from the date of enforcement of this Law and according to a timetable to be determined by the CBE Board of Directors.

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- As amended by Law No 37 for 1992.

## **Article 21 bis\***

The Minister of Economy and Foreign Trade, after consultation with the CBE Board of Directors and in accordance with the rules to be set in the Executive Regulations, may authorize the banks and branches of foreign banks existing at the time this Law comes into force and whose dealings are restricted to free currencies, to deal also in local currency.

The Minister shall also set the terms and conditions for issuing work licenses to branches of foreign banks which desire to exercise their activities in Egypt following the date of enforcing the present Law.

In all cases, the head offices of the said branches should be subject to the control of a monetary authority in the country where these head offices are based.

## **Article 22**

The Central Bank Board – after the approval of the Ministry of Finance and Economy – may reject the registration application for any of the following reasons:

- One) Violation of any of the provisions stipulated by this Law, its Executive Regulations, or by other laws and regulations.
- Two) If the existence of the bank does not conform with the general economic interests or to the special circumstances of the locality where the establishment of the bank is suggested.
- Three) If the commercial name adopted by the bank coincides with or is so similar to the name of another bank or institution that it may be confused with it.

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\* Added by Law No 37 for 1992, and amended by Law No 101 for 1993.

The applicant shall be notified of the refusal and its reasons by a registered mail with acknowledgment of receipt.

The applicant shall be considered as having renounced his application if within three months from the date of his notification he fails to complete the application and its annexes or to fulfil the conditions required by the Board of the Central Bank.

In all cases, the applicant shall have no right to draw back the paid fees.

The Board's decisions approving registration applications shall be published in the Official Journal.

#### Article 23

It is prohibited for any establishment not registered according to the provisions of this Law to use the term “bank”, its synonyms or any similar term in any language whether in its private or commercial name, or in its advertisements.

#### Article 24

The Central Bank shall be notified of any suggested amendment to the establishment contract or statutes of the company. Any change in the formation submitted when applying for registration shall also be notified. The notification shall be submitted according to the conditions set in the Executive Regulations, and the Central Bank Governor shall issue a decision according to the rules set for registration applications. These amendments shall not come into force before being signed in the register's margin.

#### Article 24 bis \*

The Governor of the CBE must be notified of the decisions to be issued concerning the appointment of the board members and general managers of the bank, and the directors in charge of credit, investment, or foreign operations including exchange transactions as well as their full curriculum vitae. Notification shall be made within 30 days as from the date of issuing the said decisions, and shall be made on the form set by the CBE for this purpose.

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\* Added by Law No 50 for 1984, as amended by Law No 37 for 1992



The Minister of Economy and Foreign Trade, upon the proposal of the Governor of the CBE, if he finds it necessary to maintain the safety of the depositors' fund and the banks' assets, shall have the power to issue a substantiated decree to discharge any of the members of the Board of Directors, or the assignments referred to in the previous paragraph. The party concerned may in such case, submit to the Minister of Economy and Foreign Trade a complaint regarding his discharge within 60 days from the date he is notified of the said decree.

The provisions of this Article shall apply to branches of foreign banks.

#### Article 25\*

Without violating the provisions of the Central Auditing Agency Law, a bank's accounts shall be examined by two auditors to be selected from a register prepared for this purpose in consultation with the CBE and the Central Auditing Agency. The same auditor may not examine the accounts of more than two banks simultaneously.

The bank shall notify the CBE of the appointment of the two auditors within 30 days from the date of their appointment.

The Governor of the CBE, for reasons viewed justifiable by him, may assign to a third auditor the carrying out of a specific function, provided that his remuneration shall be borne by the CBE.

Banks shall be prohibited from granting loans, credit facilities or any kind of guarantees to their auditors, their spouses, or their children or any establishment in which the auditors, their spouses or their children are – in personal capacity – partners or members of the Board of Directors.

#### Article 26\*\*

The auditor shall notify the bank and the CBE – in writing- of any shortage, error or violation that deserves objection.

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\* As amended by Law No 37 for 1992

\*\*Added by Law No 50 for 1984, and amended by Law No 37 for 1992.

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The annual report prepared by the auditor must include the means he has used to ascertain the existence of the assets, the method for their evaluation, and the way used to estimate outstanding commitments and to verify the bank's obligations.

The auditor shall also explain in the report if any of the transactions he has examined violates any provision of this Law, or of the Executive Regulations and decrees thereof, or of the established banking principles. At least two months prior to the convention of the general assembly, the auditor shall furnish the CBE with a copy of the report coupled with a copy of the financial statements, in which he shall express his views in relation to the following:

One) The degree of adequacy of the banks' internal control system.

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Two) The degree of adequacy of provisions to meet any deficiency in the value of assets, and any obligations that the bank may have to carry, along with determining the amount of shortage in provisions, if any.

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The CBE Board of Directors, within one month from the date it receives a copy of the above-mentioned report, may adopt a resolution to suspend the distribution of dividends to shareholders if any shortage in the required provisions appears.

**Article 26 bis\***

All banks that shall conduct business in the Arab Republic of Egypt are subject to the provisions of this Law.

**Article 27**

Banks shall submit to the Central Bank monthly statements on their financial positions at the dates and in the form designated in the Executive Regulations.

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Added by Law No 50 for 1984 and amended by Law No 37 for 1992. . \*

**Article 28**

Every Bank shall submit to the Central Bank a copy of every report submitted to the shareholders about its activities within three days at most from the date it is forwarded to them, and a copy of the minutes of every general assembly within 30 days from the date the assembly is held.

**Article 29**

Every bank shall submit to the Central Bank all information or explanations it may require about the operations conducted by the said bank.

The Central Bank – whenever necessary and after the approval of the Ministry of Finance and Economy – may delegate one or more officials from a list approved by the Minister of Finance and Economy to peruse the books and records of a bank at its premises.

**Article 30**

Every bank shall have funds in Egypt equivalent at least to its liabilities due for payment in Egypt to its creditors plus an amount not less than the minimum required for the paid-up capital.

For the application of this clause, funds held in Egypt include those amounts which the bank is permitted to keep abroad.

**Article 30 bis\***

In case a bank is exposed to financial problems affecting its financial position, the Board of Directors of the CBE shall require from the management of the said bank to secure the needed additional financial resources by increasing the paid-up capital or by depositing support funds with the bank according to the terms and within the period specified by the CBE Board of directors. If the given period elapsed without fulfillment of the request, the CBE Board of Directors shall have the right then, either to determine the increase in the capital as reckoned

necessary and offer it for subscription according to the procedures and conditions set forth, or issue a decree merging this bank with another, subject to approval by the latter bank, or otherwise a decree deleting the bank in conformity with the rules stipulated in Article 34 of Law No 163 of 1957 promulgating the Banks and Credit Law.

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\* Added by Law No 37 for 1992.

A bank shall be considered facing financial problems (in accordance with the provisions of this article) if it meets one of the following conditions:

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- One) Insufficiency of the bank's assets to meet its obligations to the extent that undermines the depositors' funds.
  - Two) Substantial squandering of the bank's assets or revenues caused by the violation of laws or regulations or due to risky practices that do not conform to the principles of the banking business.
  - Three) Applying unsound methods in managing the bank's activity that result in tangible inadequacy of shareholders' equity or which affect the rights of depositors and other creditors.
  - d) Emergence of strong evidence that the bank shall not be able to meet the requirements of depositors or fulfill obligations in normal conditions.

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#### **Article 31\***

Banks subject to this Law may form among themselves an Association whose statute shall be promulgated by a decree issued by the Minister of Economy and Foreign Trade following the approval of CBE.

The Banks' Association shall enjoy the status of an independent juridical person and shall be recorded in a special register with the CBE after paying a fee of two hundred Egyptian Pounds. The decree establishing the Association and its statute shall be published in the Egyptian Official Journal at the expense of the Association.

The Bank' Association shall exert efforts to raise the level and modernize the banking business in Egypt, to enhance the traditions of a sound banking business, to follow standardized regulations and procedures, and to consult on common issues in order to ensure healthy competition among member banks.

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\* Added by Law No 37 for 1992.

Each bank shall have the right to join the Association provided that it shall adhere to its statute.

The Governor of the CBE shall appoint a delegate to the Association. Such delegate shall have the right to attend the Association's sessions and participate in discussions but shall have no vote.

Each bank may determine the fees for the banking services it renders, within the framework of the minimum and maximum limits proposed by the Banks' Association and approved by the CBE Board of Directors.

### **Article 31 bis \***

A fund called the “Deposits Insurance Fund” shall be set up for insuring deposits held with banks operating in Egypt and registered at the CBE. The Fund shall enjoy the status of a juridical person and have an independent budget. It shall be subject to the supervision of the CBE, and shall be based in Cairo.

The statute of the Fund shall be promulgated by virtue of a Presidential Decree upon the proposal of the Prime Minister after consultation with the CBE, without adherence to the laws, regulations and rules applied by the government, the public sector, and the public business sector. The statute of the Fund shall particularly include the following:

- One) The objectives of the Fund and the means of achieving them as well as regulating relations between the Fund and the CBE.
- Two) Membership fees and conditions as well as the amount of annual subscriptions by member banks.
- Three) The administrative and operational system of the Fund and the formation of its Board of Directors.
- Four) The range of insurance for deposits and determination of a ceiling for such insurance.
- Five) The financial resources of the Fund and the rules and ways governing disbursements.

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\* Added by Law No 37 for 1992.

- Six) Auditing the accounts of the Fund.

### **Article 31 bis (1) \***

The Governor of the CBE shall have the power, upon the proposal of the Fund’s Board of Directors, to take any of the following measures in case a member bank of the Fund violates the provisions of the statute or the Executive Regulations thereof:

- One) Issue a caution.
- Two) Collect an amount not exceeding 5% of the annual subscription due on the bank in the month of January preceding the perpetration of violation. The said amount shall be raised to 10% in case any violation by the same bank is committed within two years from the preceding violation. Such amounts shall be added to the resources of the Fund.

### **Article 31 bis (2)\***

A CENTRE shall be established to qualify and provide training for the staff of the banking system. It shall enjoy the status of a juridical person and shall have an independent budget. It shall also be an affiliation to the CBE and shall be based in Cairo. In order to catch up with world modern techniques, the CENTRE shall be concerned with promoting the banking, financial and monetary skills of the staff of the banking system and other related institutions.

The resources of the CENTRE shall consist of the following:

- One) Appropriations allocated by the CBE.
- Two) Donations from different sources, provided that the CBE Board of Directors approves these donations.
- Three) Subscriptions paid by banks and various organizations to the CENTRE for the training of their staff.

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- Added by Law No 37 for 1992.

- Four) Any other resources realized in return for services rendered by the CENTRE to a third party.

The CBE Board of Directors shall approve the financial and administrative regulations of the CENTRE including in particular:

The method of work, means of its administration, the rules governing the financial treatment for trainers, technicians, researches, administrative workers and office clerks, in line with the nature of work in the CENTRE and its objectives without being restricted by the laws and regulations applicable by the government, the public sector and the public business sector.

#### **Article 32**

No Bank can be merged into another without prior authority from the Central Bank Board. The Executive Regulations shall indicate the procedures to be followed in this case.

#### **Article 33**

No bank can cease its operations without prior authorization from the Central Bank Board.

This authorization can be given after making sure that the bank has completely liberated itself from all its obligations towards depositors and other creditors in accordance with the conditions and procedures specified by the Executive Regulations.

#### **Article 34\***

The registration of a bank may be crossed out in the following cases:

- One) If it appears that the bank violates the provisions of this Law or the regulations issued for its implementation, or the CBE Board of Directors resolutions issued for the execution of the above – mentioned provisions and fails to remove the cause of violation within the period and conditions specified by the Central Bank of Egypt.

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- Added by Law No 50 for 1984.

- Two) If it follows a policy which would endanger the general economic interest of depositors or shareholders.

- Three) If it ceases its activities.

- Four) In case of merger into another entity.

e) If it is declared bankrupt or it is decided that the bank be liquidated.

f) If it appears that the registration of the bank was made on the basis  
Of false information submitted by it.

The crossing-out of registration shall be effected by a decision taken by a two-thirds majority of the Central Bank Board and after the approval of the Ministry of Finance and Economy.

The said decision shall be published in the Official Journal within ten days of the date the decision is made.

In the case referred to in a, b and f above, the crossing-out decision shall be taken only after notifying the bank concerned by means of a registered mail with acknowledgement of receipt to submit its defense in writing within two weeks from the date of notification.

### **Article 35**

In consequence to the decision crossing-out the registration, the bank has to cease operations. In this case, the Central Bank Board may either decide the immediate liquidation of the bank business or authorize it to continue the operations outstanding at the time of crossing-out under the conditions to be laid down by the Board.

### **Article 36\***

Commercial banks and business and investment banks shall pay an annual fee to be calculated at a rate of PT 75 per ten thousand Egyptian Pounds of the average total monthly positions during the year. For other banks, this fee

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\* As amended by Law No 37 for 1992.

shall be calculated at a rate of PT 50 per twenty thousand Egyptian Pounds of the average total monthly positions during the year.

This fee shall be paid to the CBE during the month of January each year for the preceding twelve months. In case of delayed payment, an interest shall be paid and calculated on the basis of the discount rate as announced by the CBE.

The proceeds of this fee shall be deposited in the banks' control account and shall be appropriated for spending on purposes related to banks' control and supervision.

### **Article 37\***

The Central Bank Board shall set general guidelines for the control and supervision of banks in accordance with the provisions of this Law, dealing specially with the following matters:

- a) The initiation and organization of a department for the banking control.
- b) The method to be adopted for the assessment of various assets of banks.
- c) Establish indicators which help banks to avoid concentration of investments whether locally or abroad, and determine the ratio between the loan value and the credit guaranty value, as well as set maturity dates.

- d) Establish criteria concerning the adequacy of the shareholder's equity of each bank by determining its ratio to assets or to liabilities without prejudice to the minimum capital requirement.
- e) Designating the information to be published and the way of publishing it.

#### **Article 37 bis\*\***

All banks shall be prohibited from granting facilities to one client, of any kind that exceed in total 25% of the bank's paid -up capital and reserves.

Credit facilities granted to government bodies shall be exempted from this prohibition.

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\* As amended by Law No 37 for 1992.

\*\* Added by Law No 50 for 1984 and amended by Law No 37 for 1992.

The CBE Board of Directors shall determine the period during which the banks shall liquidate the excesses beyond the said limits, with regard to each of the public authorities, public sector companies and public business sector companies.

## **SECTION II – CONTROL OF COMMERCIAL BANKS**

### **Article 38**

A commercial bank is defined as any institution that habitually accepts deposits payable on demand or after a period not exceeding one year.

### **Article 39\***

A commercial bank is prohibited to conduct any of the following operations.

- a) To deal in movable or real-estate property whether through purchase, sale or exchange with the exception of:
  - I) The premises appropriated for carrying out the bank business or for providing recreation for its employees.
  - II) Movable or real-estate property which accrues to the bank in settlement of a debt, provided that the bank disposes of such property within one year after the transfer of ownership in case of movables and within five years in case of real-estate. The Board of the Central Bank may extend this period in case of need.
- b) To issue notes payable to bearer on demand.
- c) To accept shares constituting the bank capital as guarantee for loans, or to deal in or own such shares unless the ownership of these shares accrues to the bank in settlement of a debt provided that the bank sells them within one year after the transfer of ownership.
- d) To own shares of joint stock companies exceeding 40% of the issued capital of the company, provided that the face value of the shares owned by the bank in these companies does not exceed the value of its issued capital and reserves.

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\* Added by virtue of Law No 135 for 1960

The Minister of Economy and Foreign Trade, upon a proposal from the governor of the CBE, may increase the aforementioned limits, as it may deem necessary.

**Article 39 Bis\***

Commercial banks are also prohibited from granting loans or advances or credit facilities or guarantees of any kind to members of the Board of Directors of the bank concerned or to any establishment in which the members of the said Board are partners or members in its board of directors in their personal capacities.

**Article 40**

The Central Bank Board may lay down general rules to be followed in the control of commercial banks. These rules may, according to the requirements of the credit situation, regulate the following matters.

- a) Fixing the liquidity ratio and the nature of liquid assets that should be held by commercial banks.
- b) Determining the areas in which commercial banks are prohibited from making investment and the reserves that should be made available to face those assets liable to serious fluctuations in value, and setting up the maximum limit for the loans and investments of commercial banks with regard to certain categories of loans and investments.

**Article 41**

Every commercial bank shall maintain at the Central bank a non-interest bearing deposit equivalent to a certain ratio of its total deposits, to be fixed by the Central Bank.

In case the said ratio is raised, the Central Bank shall give the commercial banks a delay of no less than 30 days from the date they are notified of the increase.

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\* Added by virtue of Law No 135 for 1960

**Article 42\***

If a bank violates the decisions issued by the CBE Board of Directors in virtue of provision (a) of Article 40 or paragraph one of Article 41, the CBE Board may decide to deduct from the said bank's account a sum not exceeding a percentage of the deficit amount in the liquidity ratio, or of the credit balance referred to in Article 41, provided that such percentage is equivalent to twice the CBE lending and discount rate for the period in which the deficit occurred.

If the deficit exceeds 5% of the amount it should be, or if the deficit continues for a period of more than one month, the CBE Board of Directors may take any of the measures mentioned in Article 60 bis, in addition to the financial sanction mentioned in the previous paragraph.

The commercial bank shall submit to the Central Bank the information concerning the application of this Article on the forms and at the dates determined by the Central Bank Board.

**SECTION III – CONTROL OF NON-COMMERCIAL BANKS**



### **Article 43**

Non-commercial banks are defined as those banks, whose main business is the financing of real estate, agriculture or industry, while the acceptance of demand deposits is not one of their basic activities.

### **Article 44**

The Central Bank Board shall lay down rules for the control of every type of non-commercial banks. These rules shall deal mainly with:

- a) Conditions of accepting deposits.
- b) Rules concerning the participation in founding other establishments or the purchase of their shares
- c) The maximum limit of the value of bonds which may be issued and the conditions for such issue.

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\* As amended by Law No 37 for 1992.

### **Article 45**

It is prohibited for real-estate banks to purchase immovable property pledged in their favor except in the case of execution, in application of the provisions of the Civil and Commercial Procedure Code.

The banks shall sell this immovable within five years from the date their ownership accrues to them. This period may be extended by a decision from the Central Bank.

### **Article 46**

It is prohibited for real-estate banks to conclude loans for periods exceeding 30 years.

### **Article 47**

Loans granted by industrial banks shall have privileges on industrial and commercial establishments and also the machines and tools utilized in the industrial and commercial activity.

The privilege and its degree shall be inscribed from the moment of inscription.

### **Article 47 bis\***

Neither real-estate banks nor industrial banks and business and investment banks shall grant loans of any kind to any member in their board of directors or to any establishment in which the members of the bank's board of directors are partners or board members in their personal capacities.

## **Part II**

### **CREDIT REGULATION**

#### **Chapter-1-MEANS OF CREDIT REGULATION**

### **Article 48\*\***

The Central Bank shall conclude credit operations with banks, which are subject to the provisions of this Law in accordance with the conditions and rules to be set by the Bank Board.

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\*Added by virtue of Law No 135 for 1960 and also by Law No 50 for 1984

\*\* Amended by Law No 37 for 1992.

The Board shall fix the discount and interest rates according to the nature, period and necessity of such operations according to monetary and credit policy. These rates shall be declared in the way determined by the Board.

#### **Article 49**

The Minister of Finance and Economy in agreement with the Central Bank Board shall determine the ordinary commercial operations, which the Bank may conduct.

#### **Article 50**

In case of financial disturbances or any other emergency that affect the stability of the credit situation, or call for meeting urgent needs, the Central Bank may advance to banks exceptional loans guaranteed by any of their assets as may be determined by the Board of the Bank, provided that the maturity dates and other conditions of such loans should be subject to the rules to be laid down by the said Board.

#### **Article 51**

The Bank may-through purchase or sale in the open market-deal in Egyptian Government securities, Government guaranteed securities, bonds specified by the Board of Directors, bills' promissory notes, and other commercial papers. Such operations shall be carried out with a view to increasing or decreasing the funds available to commercial banks or others according to monetary and credit policy.

#### **Article 52**

The Bank may guarantee loans and investments concluded with Egyptian, foreign or international organizations or institutions, according to the conditions and rules to be agreed upon with the Minister of Finance and Economy.

### **Chapter II- CREDIT – STATISTICS**

#### **Article 53**

A central department shall be set up at the Central Bank for the collection of bank credit statistics.

#### **Article 54**

Banks and other establishments to be designated by a decree by the Ministry of Finance and Economy must present to this department a statement about the position of every client enjoying credit facilities exceeding the limit to be determined by the Central Bank Board.

#### **Article 55**

The Central Department for the collection of Bank Credit Statistics shall prepare an aggregate statement of the credit facilities granted by banks and other establishments to each client without disclosing the names of those banks or establishments.

Any bank or establishment may consult the aggregate statement concerning any client applying for credit facilities or may ask for an extract from this aggregate statement in accordance with the rules and conditions to be laid down by a decision from the Central Bank Board.

### **PART III- SANCTIONS**

#### **Article 56\***

Whosoever violates the provisions of Articles 19 and 23 of this Law shall be condemned to imprisonment and a fine of not less than LE 500 and no more than LE 5000, or any of these two punishments.

The same punishment is applicable on whosoever present to any bank false information or documents so as to unjustifiably obtain any kind of credit facilities. In case of recidivism, he shall be condemned to both imprisonment and fine.

In all cases, the court shall order the publication of the summary of the condemning judgement in one or more newspapers or through any other means of publicity at the expense of the condemned person.

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\* Amended by Law No 50 for 1984.

#### **Article 57**

If the statements referred to in Article 27, 28 and 29 of this Law are not submitted at the specified times, a fine not exceeding LE 1000 shall be charged.

The same penalty shall be imposed in case of failing to present books, registers, papers and documents to the delegates empowered to peruse apart from ordering their delivery.

Threatening fines may be declared in the above two cases.

#### **Article 58**

Whosoever with the intention of fraud deliberately states wrong matters or conceals some facts in the statements, proceedings or other papers submitted to the Central Bank in application of the provisions of this Law shall be condemned to imprisonment and/or a fine of not less than LE 100 or more than LE 1000.

#### **Article 59**

Whosoever violates the provisions of Articles 24,33 and 39 of this Law shall be fined with an amount not less than LE 100 or no more than LE 1000.

#### **Article 60**

Whosoever violates the provisions of the obligation or interdiction stipulated by this Law or by the regulations or decisions issued for its implementation shall be fined with an amount not exceeding LE 500.

#### **Article 60 bis\***

Without prejudice to Articles 34, 42, 56, 57, 58, 59 and 60 in case any bank violates the provisions of this Law or its Executive Regulations or Decree issued by the Central Bank Board for the implementation of the aforementioned provisions, the CBE Board of Directors may take any of the following measures: -

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- Amended by Law No 37 for 1992 and Law No 101 for 1993.

**1st) Issuing a caution.**

- 2nd) Reducing or canceling the credit facilities granted to the violating bank.
- 3rd) Preventing the violating bank from conducting some operations or specifying the volume of credit to be granted by the bank.
- 4th) Committing the violating bank to deposit non-interest-bearing balances with the Central Bank and for the period the CBE sees appropriate, as well as the credit balances stipulated in Article (41).
- 5th) Requesting the chairman of the violating bank to convene a meeting for its Board of Directors to consider the violation, related to the bank and take the necessary measures for their elimination. In this case, one or more representatives from the Central bank shall attend the meeting.
- 6th) Appointing a supervising member in the Board of Directors of the bank for the period specified by the Central Bank Board of Directors. This member shall participate in the Boards discussions and record his opinion in all the decisions taken.
- 7th) Dissolving the Board of Directors and appointing a commissioner to manage the bank for a period not exceeding 6 months, renewable for another six months. During his term of appointment, the commissioner shall submit the issue to the general assembly of the bank to elect a new Board of Directors.

**Article 61**

In case a company or a society commits the violation the responsible partner, the manager, the managing director, or the chairman of the board of directors – as the case may be – shall be held responsible.

**Article 62**

The Central Bank officials selected by a decree by the Minister of Finance and Economy at the request of the Central Bank Governor shall have the

Judiciary police capacity concerning the execution of the provisions of this Law and the regulations and decisions issued for its implementation.

### **Article 63**

Without prejudice to stricter sanctions stipulated by other laws, anyone of the officials in charge of the execution of the provisions of this law who discloses any data or information obtained in exercising his functions shall be condemned to imprisonment for a period of no more than two years – and/or a fine of no less than L.E. 100 and no more than L.E. 500.

### **Article 64**

With regard to the crimes stated in this part the court may order the publication of the summary of the condemning ruling in one or more newspapers or through any other means of publicity at the expense of the condemned.

### **Article 65\***

No criminal lawsuit shall be brought in connection with the crimes and offenses prescribed in this law or in Articles 116 bis and 116 bis (a) of the Penal Law except by virtue of a request by the Minister of Economy and Foreign Trade, after consultation with the Governor of the CBE.