

LAW NO. 120 OF 1975*
RELATING TO THE CENTRAL BANK OF EGYPT
AND THE BANKING SYSTEM

In the Name of the People
The President of the Republic

The People's Assembly approved the following Law and we hereby enact it.

Chapter I
The Central Bank of Egypt

Article I

The Central Bank of Egypt is an autonomous public legal entity, which formulates monetary, credit and banking policy and supervises its implementation in accordance with the general plan of the state with a view to developing and fostering the national economy and maintaining the stability of the Egyptian currency. The Bank shall exercise the powers and carry out the functions entrusted to it by Law No 163 of 1957 promulgating the Banking and Credit Law, and in accordance with the provisions and rules set forth therein without prejudice to the provisions of this Law.

Article 2

The seat and the legal domicile of the Bank shall be the city of Cairo. The Bank may establish offices in the Arab Republic of Egypt or abroad, and may have agents and correspondents in Egypt or abroad as may be necessary for the conduct of its business.

* Published in the Official Journal (Arabic Version) No 39 issued on September 25th, 1975.

Article 3

The Bank shall carry out banking operations pertaining to the Government and other public legal entities, as well as domestic and external financing, and credit operations with banks pursuant to the provisions of Law No 163 of the year 1957 referred to above. The Bank shall not carry out such operations for bodies other than those mentioned.

The Bank may authorize any of the public legal entities referred to in the above paragraph, to deal with other banks.

Article 4

The Bank's funds shall be considered as private funds.

Article 5

The bank shall adopt such administrative methods as usually applied by banking establishments, without being bound by administrative and financial rules and regulations provided for in laws and regulations applicable to the Government and to the public sector.

Article 6*

The CBE shall have a Board of Directors under the chairmanship of the Governor and membership of:

- 1) The Two Deputy Governors.
- 2) The Chairman of Capital Market Authority.
- 3) Two of board chairmen of banks
- 4) One representative of each of the Ministries of Economy and Foreign Trade, Finance, and planning to be chosen by the ministers concerned.
- 5) Four senior specialists in banking, monetary, financial and legal affairs.
- 6) Two from the business sector.

In the absence of the Governor, the senior Deputy Governor shall be the Acting chairman.

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- Amended by Law No 50 for 1984 and Law No 37 for 1992.

A Presidential Decree shall be issued appointing the Governor and the two Deputy Governors, and determining their remuneration, allowances and bonuses upon the proposal of the Prime Minister. The Governor and the two Deputy Governors shall be appointed for a renewable term of four years.

The Governor shall not be dismissed during his original or renewed term of office.

Members of the Board mentioned in items (3), (5) and (6) shall be appointed for a renewable term of four years by virtue of a decree of the Prime Minister, after consultation with both the Minister of Economy and Foreign Trade, and the Governor of the CBE.

A decree of the Prime Minister shall be issued, after consultation with the Minister of Economy and Foreign Trade and the Governor of the CBE, determining the remuneration of members of the Board mentioned in items 5 & 6 and determining as well the attendance allowances for the Board meetings.

Article 7*

The Board of Directors of the Bank shall be the authority vested with the powers for the management of its affairs and for regulation of monetary, credit and banking policy and the supervision of its implementation. The Board shall also make resolutions on measures necessary to achieve the purposes and objectives the Bank aims to carry out, pursuant to the provisions of Law No 163 of the year 1957 referred to above, within the framework of the general plan of economic and social development, and in accordance with the general policy of the State.

In this respect, the Board may resort to the following means:

- One) influencing the orientation of credit with regard to its volume, type and cost, so as to meet the real needs of various aspects of economic activity
- Two) Participation in the arrangements of foreign credit for the fulfillment of The requirements of the development plans, and the fostering of the national economy.

*Amended by Law No 37 for 1992.

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- Three) Adoption of suitable measures to combat general and domestic economic or financial disturbances.
- Four) Determination of the discount rates and the rates of return for banking transactions in accordance with the nature of these transactions, their terms and the need for such transactions in compliance with monetary and credit policy, without being confined in this respect to the limits stipulated by any other legislation. The Board of Directors may authorize banks to determine freely the rates of return for the banking transactions that they conduct.
- Five) Control of banks so as to ensure the soundness of their financial positions, whether they are State-owned, joint ventures or branches of foreign banks.
- Six) Management of the State reserves of gold and foreign exchange, and the regulation of the flow of foreign exchange between the Central Bank and other banks.
- Seven) Participation in the preparation of the State's foreign exchange budget and its implementation within the framework of the general policy drawn up by the Ministry of Finance in agreement with the Ministries of Economy and Economic Cooperation*, Trade, Planning and Supply and with the Central Bank.
- Eight) Coordination and approval of the regulations and resolutions referred to in Paragraph (h) of Article 19, without prejudice to the provisions of Article 22 of this Law.
- Nine) Approval of the profit and loss statement, the balance sheet as well as the report of the Bank on its financial position and operations as stipulated in Article 12 of this Law.
- Ten) Approval of the organizational structure of the Bank upon the proposal of the Governor.
- Eleven) Issuance of regulations concerning the affairs of personnel: their salaries and wages together with their remuneration, privileges and special allowances, as well as the rates of their travelling allowances internally and abroad.

In adopting resolutions according to items (j) and (k) of this Article, the Board of Directors shall not be bound by the rules and regulations stipulated in the Decree Law No 58 of the year 1971 promulgating the Code of the State Civil Servants and the Decree Law No 61 of 1971 promulgating the Code of the Public Sector Employees.

Article 8

* now the Ministry of Economy and Foreign Trade

The Governor shall manage all the Bank's affairs in compliance with the resolutions of the Board of Directors.

Article 9

The Central Bank shall have the right to examine the books and records of banks at any time, so that it may ensure obtaining data and clarifications it deems appropriate to achieve its purposes. Such examination shall take place in the premises of each bank, and shall be carried out by the Central Bank's inspectors and their assistants who are delegated for this purpose by the Governor of the Central Bank from a list approved by the Minister of Economy and Economic Cooperation. The Central Bank shall report the inspection results and the Bank's recommendations thereof to the Minister of Economy and Economic Cooperation.

Article 10

The Bank's financial year shall begin and end with the financial year of the State.

Article 11

The auditing of the Bank's accounts shall be annually entrusted to two auditors who will be appointed as well as their fees shall be fixed by the Central Auditing Agency. This auditing shall be in lieu of the control of the Agency.

The Bank shall place at the disposal of the auditors the documents, books and data they may deem necessary to carry out such auditing.

Article 12

The Bank shall, within three months after the end of the financial year, prepare the following:

- One) A profit and loss statement at end of the financial year in accordance with the practices followed by banking establishments.
- Two) A balance sheet for the Bank, signed by the Governor and the auditors, prepared according to the principles of financial accounting adopted by banking establishments.
- Three) A report on the Bank's financial position and operations at end of the financial year. The report shall review in particular, economic, monetary and banking developments in Egypt.

The above-mentioned profit and loss statement, balance sheet and report shall be submitted to the Minister of Economy and Economic Cooperation within a week from the date of their approval by the Board of Directors.

Article 13

The Bank shall submit to the People's Assembly, within three months following the end of the financial year, an annual report on monetary and credit developments in the Arab Republic of Egypt.

Article 14

The statutes of the Bank shall be issued by a Presidential Decree. Pending on the issuance of the said Statutes, the present statutes of the Bank promulgated by Presidential Decree No 2336 of the year 1960 shall remain in force, without prejudice to the provisions of this Law.

Chapter II **THE BANKING SYSTEM**

Article 15

The term "commercial banks" refers to banks that usually accept deposits payable on demand or within fixed terms; carry out domestic and external financing and the servicing thereof in such a manner as to achieve the objectives of the development plan and the State's policy as well as fostering the national economy; perform operations for the promotion of savings and financial investment domestically and abroad, including participation in the establishment of projects and the related banking, commercial and financial operations, and in accordance with the conditions set by the Central Bank.

Article 16

The term 'specialized banks' (non-commercial) refers to banks that carry out banking operations serving a specific type of economic activity in conformity with their establishing decrees, and for which the acceptance of demand deposits is not one of their main activities.

Article 17

The term 'business and investment banks' refers to banks that carry out operations related to mobilization of saving for the purpose of investment in accordance with the economic development plans and the policies envisaging the fostering of the national economy. In this respect, such banks may establish investment companies or other companies exercising various types of economic activity. They may also undertake financing of Egypt's foreign trade operations.

Article 18*

Each public sector bank, whether a commercial, specialized, or business and investment bank shall have a Board of Directors formed as follows:

- One) Chairman of the Board of Directors.
- Two) Two Deputy Chairmen.

*Amended by Law No 37 for 1992.

- c) Six prominent specialists in banking, financial, economic and legal affairs, comprising at least one of the directors working in the bank.

A decree shall be issued by the Prime Minister, after consultation with the Minister of Economy and Foreign Trade and the Governor of the CBE, appointing the Board chairman, the two deputies, the Board members, and the bank's representatives in other banks in which the bank contributes to their capital.

The salaries, allowances and remuneration of the Board chairman, and his two deputies, the remuneration of the non-staff specialist members of the Board and the attendance allowances of the Board of Directors shall be determined by the Prime Minister's decree.

The Banks' Board of Directors shall appoint its representatives to the companies in which the bank contributed to their capital and in accordance with the rules and regulations to be issued by a Prime Minister decree. The Board chairmen of public sector banks shall appoint their representatives in the general assemblies of the banks and companies in which public sector banks are shareholders.

Article 19

The Board of Directors of each of the public sector banks referred to in the preceding Article shall be the authority vested with the powers for the management of the affairs. The Board shall set credit policy to be followed, supervise its implementation in accordance with the economic development plan, and make resolutions necessary for achieving the purposes and objectives of the bank pursuant to the provisions of Law No 163 of the year 1957 referred to above within the framework of the State. general policy.

The Board, within the activity of each bank, may resort to the following means:

- One) Participating in financing domestic and external operations and servicing thereof in accordance with the economic development plan and the conditions set by the Central Bank.
- Two) Handling operations for the promotion of saving and for financial investment domestically and abroad, in accordance with the general policy of the State and the conditions set by the Central Bank.
- Three) Participating in the establishment of projects, and investment and trust companies.
- Four) Carrying out banking operations-financial and commercial-in conformity with Law No 163 of the year 1957 referred to above, and the Decree establishing the bank and its statutes.
- Five) Approving the draft budget as well as the final accounts and the balance sheet of the bank.
- Six) Issuing regulations and resolutions relating to the bank's operations, its financial and technical affairs, methods of administration, and work programs.
- Seven) Approving the organizational structure of the Bank upon the proposal of the Chairman of the Board of Directors.

- Eight) Drawing up the regulations concerning the conditions of personnel, their salaries and wages, together with their remuneration, privileges and allowances, as well as their travelling allowances internally and abroad.

In adopting resolutions according to items (f), (g) and (h), the Board of Directors shall not be bound by the rules and regulations stipulated by the Decree Law No 58 of the year 1971 Promulgating the Code of the State's Civil Servants, the Decree Law No 60 of the year 1971 Promulgating the Public Organizations and Public Sector Companies Law, and the Decree Law No 61 of the year 1971 Promulgating the Code of the Public Sector's Employees.

Chapter III

General and Concluding Provisions

Article 20

Business and investment banks shall be subject to the provisions of Law No 163 of the year 1957 referred to above, which are consistent with the nature and functions of these banks.

The Board of Directors of the Central Bank may issue general rules concerning control of the aforementioned banks, in conformity with the provisions of the said Law.

Article 21

Resolutions of both the Board of Directors of the Central Bank and the Boards of public sector banks, and the decisions of their chairmen, shall be enforced without having to be approved by a higher authority in the following cases:

- 1st) Credit and banking operations carried out by the Central Bank and public sector banks, provided that they do not violate the provisions of Law No 163 of the year 1957 and the executive regulations pertaining thereto.
- 2nd) Staff appointment, promotion, secondment, assignments, transfer and missions except with regard to Board members, as well as penalties without prejudice to the power of the Disciplinary Court.
- 3rd) Dispatching employees on official missions.

Article 22*

The CBE Board of Directors shall assume the powers of the General Assembly with regard to public sector banks. In particular, it shall:

- 1st) Approve the balance sheet, the profit and loss statement, and the distribution of profits.

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- Amended by Law No 50 for 1984 and Law No 37 for 1992
- 2nd) Authorize the bank to use the provisions for purposes other than those for which they are allocated in the bank's balance sheet.
- 3rd) Amend the banks' statutes, including the extension or shortening of banks' duration and increasing or decreasing the banks' authorized and paid -up capital.
- 4th) Decide on the merging or division of a bank. The decision in this respect shall not be valid except after the approval of the Cabinet.
- 5th) Approve the planning budget.

The chairman and the board members of the bank and the auditors shall attend the General Assembly but their votes shall not count. In case the Board convenes as a General Assembly for public sector banks, it shall be chaired by the Minister of Economy and Foreign Trade. In case of his absence, the General Assembly shall be chaired by the Governor of the CBE.

Article 23*

The Board of Directors of the Central Bank shall be empowered to approve the planning budget of the Central Bank. Its decision in this respect shall be final.

The State Budget does not include the current and capital resources and utilization of the Central Bank and the public sector banks.

The net profits of those banks, after the deduction of the amounts to be allocated as reserves, shall be transferred to the Treasury.

Article 24

As an exception from the provisions of laws, regulations, and decisions governing importation, the Central Bank and the public sector banks shall be allowed to import without license-subject to inspection- either by themselves or via other parties-such machines, apparatuses and equipment including computers necessary for the conduct of their business. Such cases shall be exempted from submission to Adjudication Committees.

* Amended by Law No 50 for 1984.

Article 25

Pending on the issuance or regulations referred to in paragraph (k) of Article (7) and paragraph (h) of Article (19), current regulations applied in the Central Bank and the public sector banks shall remain valid, provided that they do not contradict with the provisions of this Law.

Article 26

The phrase (Minister of Economy and Economic Cooperation) shall substitute for (The Minister of Finance and Economy) wherever mentioned in Law No 163 of 1957 referred to above.

Article 27

Provisions of Law No 163 of 1957 referred to shall be applicable wherever a special clause is not provided for in the present Law and where they are not in contradiction with the provisions thereof. Provisions of chapter II Section 6 of Decree Law No 60 of 1971 promulgating the Law of Public Organizations and Public Sector Companies shall also apply to the Central Bank of Egypt.

Article 28

As an exception from the provisions of Article 29 of Law No 26 of 1954 relating to Joint Stock Companies, Companies Limited by Shares and Limited Liability Companies, chairmen and members of the boards of directors of public sector banks may represent their banks in the boards of Joint venture banks established in accordance with Law No 43 of 1974 on the Investment of Arab and Foreign Funds and Free Zones. Such a representation shall be in accordance with the rules to be issued by a resolution of the Board of the Central Bank.

Article 29

The Minister of Economy and Economic Cooperation is authorized to issue within three months from the date this Law come into force the decisions necessary for its implementation.

Article 30

Boards of Directors of the Central Bank and the public sector banks as constituted at present shall continue to exercise the powers conferred upon them pending on the issue of the decisions for the formation of the Boards of Directors for these banks in conformity with the provisions of this Law.

Article 31

Law No 250 of 1960 relating to the Central Bank of Egypt and the National Bank of Egypt, and all provisions contradictory to the provisions of this Law, are hereby cancelled.

Article 32

This Law is to be published in the Official Journal and shall come into force as from the date of its publication.

This Law shall be stamped by the seal of the State and shall be enforced as one of its laws.

Issued at the Presidency of the Republic on 8th Ramadan Hegira year 1395 Corresponding to 13th September 1975, A.D.

Anwar El-Sadat