



Recent Foreign Currency Regulations in Egypt

The foreign currency market in Egypt has witnessed dramatic developments since the start of the 25 January 2011 uprising, the pound began to fall against the dollar and the availability of the foreign currency dropped. In 2012, the CBE started to use the auction mechanism to trade USD with Egyptian banks in order to provide foreign currency liquidity and stabilize the market by increasing the USD offer.¹ This was considered as a step towards free-floating the pound. Dollar prices jumped to its highest records.²

From a strict legal standpoint, there are no statutory foreign currency controls in Egypt. However, in practice, the Central Bank of Egypt (“**CBE**”) imposed several measures to face the lack of supply and increased demand on foreign currency. The CBE has issued several directives (many of them are internal verbal instructions for local banks) to reduce the gap between exchange rates and prices on the official and black market.

The main directives in this regard are the following:

(a) Imposing a Cap on Transfer of Foreign Currency Outside Egypt

To limit foreign currency outflows outside Egypt, the CBE issued in 2011 three circulars to limit transfers by individuals to a one-time transfer of USD 100,000 during the whole period following the 25th January 2011 uprising. These three circulars were dated 13 February 2011, 12 May 2011 and 17 May 2011.³ In 6 January 2014, the CBE relaxed this restriction by allowing individuals to make annual transfers of up to USD 100,000.⁴ This transfer cap does not apply to companies for transfers for legitimate commercial purposes, extensive documentation however shall be required to substantiate the commercial purpose of the transfer.

¹ The CBE still arranges auctions on frequent basis and offer USD to the highest price.

² For example, the exchange rate of EGP/USD in the 1st of January 2010 was 5.48 EGP. It increased to 5.80 EGP by the 1st of January 2011. It underwent constant decline in the subsequent years to reach 6.04 EGP in 2012, 6.34 EGP in 2013, 6.95 EGP in 2014, 7.14 in 2015, and 8.9444 EGP in 15 March 2016. For tracking the daily EGP/USD exchange rate please visit the following suggested website:
<http://www.currency-converter.org.uk/currency-rates/historical/table/USD-EGP.html>

³ The three circulars are not published on the CBE website. However, other CBE circulars, like the one dated 6 January 2014, made reference to them.

⁴ See CBE Circular of 6 January 2014, “Circular dated 6 January 2014 regarding Transfer Limit”, published on
<http://www.cbe.org.eg/NR/rdonlyres/37584556-86DF-47DA-9A55-0643BBF635D2/2181/Transferlimits.pdf>

(b) Imposing a Cap on Foreign Currency Deposits

In February 2015, the CBE issued a circular to local banks restricting the ability of individuals and companies to make cash and/or wired deposit of an amount exceeding USD 10,000 per day or USD 50,000 per month (this is subject to a number of limitations including the nature of the activity of the entity wishing to deposit USD or equivalent currency).

Owing to this, if a company is able to source out foreign currencies from exchange houses, it will not be able to deposit such funds with the banking sector. This circular aims at curbing the purchases of foreign currencies from the black market, leaving the only option to source USD from the banks itself. This directive was issued by the CBE through verbal directive.

In 26 January 2016, the CBE increased the amount of US dollars that local companies in high-priority sectors can deposit with banks for importation purposes to \$250,000 per month from \$50,000, and removed the daily deposit limit of \$10,000.⁵ These high-priority sectors are as follows:

- a. Essential food products.
- b. Machines, production equipment and spare parts.
- c. Intermediary commodities and production requisites and raw material.
- d. Medicines, vaccines and related chemicals.

However, in practice, the CBE sometimes gives internal instructions to each local bank to allow the deposit of the \$250,000 cap for specific sectors only. The CBE designate one or two sectors from the above four sectors as a priority for each local bank to allow the deposit of the \$250,000 for importation purposes.⁶

In the meantime, and on a case by case basis, if a client wants to exceed the said cap to meet its importation needs, an exception must be obtained from the CBE by the bank concerned.

In 15 February 2016, the CBE issued another circular increasing the allowed deposit cap for companies working in exportation and having related importation needs. The circular increased the deposit limit to USD 1 million per month (or the equivalent in other foreign currencies) and without daily deposit limit. The circular put a number of conditions an exporting company must satisfy in order to benefit from this increased cap:

- a. the proportionality between the amounts deposited and the importation requests at the same bank; and
- b. the proceeds of the exportation transactions transferred to the company's accounts in Egypt are at least equal to the amounts of the deposits made by the company during a maximum of 3 months. If the company failed this

⁵ See CBE Circular of 26 January 2016, "Circular dated 26 January 2016 amending Foreign Cash Deposit Limit", published on <http://www.cbe.org.eg/NR/rdonlyres/15384EB6-EFCD-4DD8-B9F3-231E88B11F45/3467/Circular26January2016cashdepositlimit.pdf>

⁶ Please note that these internal instructions are not published and change regularly depending on the availability of foreign currency in the market. An investor facing a problem may urge its bank to consult and get an exception from the CBE.

condition, it will be listed in the failure list and restrictions will be imposed thereon in the future.⁷

On March 2016, the CBE issued two consecutive circulars regarding cash deposit limits. The Circular dated 8 March 2016 removing the instructions previously imposed on the ability of individuals to make cash and/or wired deposit of an amount exceeding USD 10,000 per day or USD 50,000 per month.⁸ Whereas the Circular dated 9 March 2016 removing the restrictions previously imposed on the ability of companies to make cash and/or wired deposit of foreign currencies, only for companies importing necessity goods. Companies importing products other than necessity goods will not be subject to the provisions of this circular.⁹

(c) Restricting Inter-Bank Transfers

The CBE has also issued a circular in 23 April 2015 restricting the ability of companies to make inter-bank transfers above the cap specified under point (b). This circular was issued when the CBE noticed that clients attempt to evade the aforementioned cap through purchasing foreign currencies outside the banking sector and deposit it in the accounts of other several clients (within the said cap) to be retransferred internally later to one account of the concerned client.

The circular urged the banks to check carefully the purposes of the internal transfers between the clients' accounts using the KYC Principles (Know Your Client).¹⁰

(d) Transactions against Documentary Collection

In 21 December 2015, the CBE issued a circular in relation to importation transaction concluded via documentary collection.¹¹ This circular was amended twice by virtue of the

⁷ See CBE Circular of 15 February 2016, "Circular dated 15 February 2016 amending Foreign Currency Cash Deposit Limit for Export Companies", published on:

<http://www.cbe.org.eg/NR/rdonlyres/00000d3c/zxurqlensjggftcbxiqpkhgfcezikxbi/%D9%83%D8%AA%D8%A7%D8%A8%D8%AF%D9%88%D8%B1%D9%8A%D8%A8%D8%AA%D8%A7%D8%B1%D9%8A%D8%AE15%D9%81%D8%A8%D8%B1%D8%A7%D9%8A%D8%B12016%D8%A8%D8%B4%D8%A3%D9%86%D8%AA%D8%B9%D8%AF%D9%8A%D9%84%D8%A7%D9%84%D8%AD%D8%AF%D8%A7%D9%84%D8%A3%D9%82%D8%B5%D9%89%D9%84%D9%84%D8%A5%D9%8A%D8%AF%D8%A7%D8%B9%D8%A7%D9%84%D9%86%D9%82%D8%AF%D9%8A%D8%A8%D8%A7%D9%84%D8%B9%D9%85%D9%84%D8%A9%D8%A7%D9%84%D8%A3%D8%AC%D9%86%D8%A8%D9%8A%D8%A9%D9%84%D8%B4%D8%B1%D9%83%D8%A7%D8%AA%D8%A7%D9%84%D8%AA%D8%B5%D8%AF%D9%8A%D8%B1.pdf>

⁸ See CBE Circular of 8 March 2016, "Circular dated 8 March 2016 regarding Cash Deposit Limit for Individuals", published on:

<http://www.cbe.org.eg/NR/rdonlyres/00000d99/tysxwesrwdvylgfpzwvqgfwnaekgnug/%D8%A5%D9%84%D8%BA%D8%A7%D8%A1%D8%A7%D9%84%D8%AD%D8%AF%D8%A7%D9%84%D8%A3%D9%82%D8%B5%D9%89%D9%84%D9%84%D8%B3%D8%AD%D8%A8%D9%88%D8%A7%D9%84%D8%A5%D9%8A%D8%AF%D8%A7%D8%B9%D8%A7%D9%84%D9%86%D9%82%D8%AF%D9%8A%D8%A8%D8%A7%D9%84%D8%B9%D9%85%D9%84%D8%A9%D8%A7%D9%84%D8%A3%D8%AC%D9%86%D8%A8%D9%8A%D8%A9%D9%84%D9%84%D8%A3%D9%81%D8%B1%D8%A7%D8%AF%D8%A7%D9%84%D8%B7%D8%A8%D9%8A%D8%B9%D9%8A%D9%8A%D9%86.pdf>

⁹ See CBE Circular of 9 March 2016, "Circular dated 9 March 2016 regarding Lifting the Limits of Cash Deposits and Withdrawals for Companies Importing Necessity Goods", published on: <http://www.cbe.org.eg/NR/rdonlyres/FC987D68-4925-448E-A768-56338AC7A6D1/3487/Circular9March2016limitsofcashdeposits.pdf>

¹⁰ See CBE Circular of 23 April 2015, "Circular dated 23 April 2015 regarding Foreign Transaction" published on

<http://www.cbe.org.eg/NR/rdonlyres/6BA5FC0D-5676-43C3-BAA7-9C2CD1C648A9/2883/foreigntransaction.pdf>

CBE circular issued on 27 January 2016¹² and 22 February 2016¹³. This circular set out three rules relating to:

Importation Documents To be Sent Directly by the Bank Abroad:

The circular requires that starting from January 2016, importation documents must be sent directly from banks abroad to the local bank rather than from the client.

Exceptions on this requirement are:

- a. Branches or subsidiaries of foreign companies.
- b. Livestock and poultry.
- c. Production raw materials, requisites and spare parts needed for factories shipped by air.
- d. All goods and products shipped by air.
- e. Programs and applications and computers and their requisites.

100% Cash Deposit

Importation companies seeking documentary credit or letter of guarantee must provide a 100% cash deposit, rather than the 50% previously required. This 100% cash deposit applies on importation transactions for trading purposes which is concluded on standby LC.

Exceptions to this cash deposit include:

- a. Medical machines, equipment and requisites.
- b. Spare parts for machines and equipment.
- c. Programs, applications and computers and their requisites.

The 100% cash deposit shall apply to importation transactions concluded through deferred unconfirmed shipping documents. The following transactions are however excepted:

- a. Essential food products including powder milk and children milk.
- b. Production machines and spare parts.
- c. Intermediary commodities and production prerequisites including medical machines, programs, applications computers and their prerequisites.
- d. Medicines, vaccines and related chemicals.

The cash deposit is allowed to be in Egyptian pound with an appropriate margin for foreign exchange rates.

¹¹ See CBE Circular of 21 December 2015, "Circular dated 21 December 2015 regarding Import Transaction", published on <http://www.cbe.org.eg/NR/ronlyres/FC987D68-4925-448E-A768-56338AC7A6D1/3415/Circulardated21December2015.pdf>

¹² See CBE Circular of 27 January 2016, "Circular dated 27 January 2016 Amending the Regulation of Import Transaction", published on <http://www.cbe.org.eg/NR/ronlyres/FC987D68-4925-448E-A768-56338AC7A6D1/3417/Circulardated27January2016.pdf>

¹³ See CBE Circular of 22 February 2016, "Circular dated 22 February 2016 regarding Some Exceptions to the Import Transaction Regulation", published on <http://www.cbe.org.eg/NR/ronlyres/FC987D68-4925-448E-A768-56338AC7A6D1/3400/Circulardated22February2016regardingaddingsomeexce.pdf>

The above shall not apply on documentary credit for commodities imported for non-trading purposes as for factories importation of production raw materials and requisites.

Refinancing Importation Transactions for Trading Purposes

The circular disallowed the refinancing of importation transactions for trading purposes through temporary facilities in foreign currencies. Exceptions to this rule are:

- a. Products shipped until 31 December 2015.
- b. Essential food products.
- c. Medicines, vaccines and related chemicals.
- d. Children milk.
- e. Medical machines, equipment and requisites.
- f. Spare parts for machines and equipment.
- g. Programs, applications and computers and their requisites.
- h. Intermediary commodities and production requisites imported for the purpose of selling to industrial companies, provided that a contractual relationship is demonstrated.

If you have any questions regarding this paper, feel free to contact:

Mohamed Riad
Partner

Email: m.riad@riad-riad.com

Dr. Fatma Salah
Partner

Email: f.salah@riad-riad.com

- Riad & Riad (R&R) is a legal practice that serves the full spectrum of the business legal needs.
- R&R core business culture is centered on integrity, dedication to clients' needs, and excellence of advice and services. R&R distinguishes itself on the accessibility to its partners, and its constructive and commercially orientated approach.
- R&R has developed specialized teams in a number of areas such as corporate law, M&A, labor & employment, international trade, banking, energy, infrastructure, project finance, litigation and dispute resolution.

