

Translation

With reference to the inquiries of the banks concerning the instructions of the Central Bank of Egypt issued by virtue of the letter No. 49 dated 13 February 2022, which included the decision of the Central Bank of Egypt (CBE) to stop accepting documentary collection in the implementation of all import operations and to work with letters of credit only, we would like to advise and confirm that CBE's decision is a regulatory action regarding the governance of import process and to complement the ACI system for pre-registration of shipments. This decision aims to raise the level of goods received from abroad to protect the health and funds of citizens as well as the governance of the foreign trade system, the protection of national industry and preservation of sovereign state resources.

Starting from the issuance date of this decision, banks will deal with the matter in accordance with the determinants approved by the CBE in the implementation of import operations and work with letters of credit, provided that the actual implementation shall start on 22 February 2022.

The exceptions to this decision are shown here below:

1	It is allowed to deal with the goods previously shipped before the issuance of this decision through documentary collection based on the customer's request.
2	Branches of foreign companies and subsidiaries of foreign companies are excluded from the decision within the scope of import operations from the parent company and its groups only.
3	Shipments received by express mail.
4	Shipments that are worth up to \$5,000 or the equivalent of this amount in other currencies.
5	Drugs, serums and related chemicals and human cornea.
6	The following food products: tea, meat, chicken, fish, wheat, table oil, powder milk, baby formula, fava beans, lentils, butter, and maize.

Also provided that the banks will observe the following:

Increasing the existing credit limits for customers and opening all the letters of credit requested by the bank customers who have previously undertaken import operations through documentary collection only, and by the same bank, immediately upon the customer's request. It is worthwhile to mention that the Credit Guarantee Company SAE (CGC) issued credit risk guarantees for the bank customers who have previously undertaken import operations through documentary collection only and by the same bank and do not have credit facilities at the banking sector level.

Reducing all commissions for the letters of credit what will be opened at all the banks for their customers who have previously undertaken import operations through documentary collection only and through the same bank, to the value of commissions for documentary collection that were calculated for the bank customers.

The banks are receiving inquiries and complaints from customers to which it is required to answer promptly along with continued communication with the Central Bank in case of any inquiries to overcome any obstacles.

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	Inquiries	Answers
1	What is meant by branches of foreign companies and subsidiaries of foreign companies?	The subsidiary companies are Egyptian companies, subsidiary to foreign companies abroad in which the contribution percentage of the foreign shareholder represents more than 50% whether directly or indirectly.
	Does the exception apply to the companies indirectly owned by foreign companies?	
	The subsidiaries of foreign companies are Egyptian joint-stock companies (SAE) including non-Egyptian shareholders. The inquiry is: what is the shareholder's percentage that makes us consider the company a subsidiary of a foreign company?	
	The legal entity of the importing company may be Egyptian joint-stock company (SAE) but its ultimate beneficial owner is a foreign entity. Will this company be considered a foreign company? Please clarify.	
2	Concerning the exception of the branches of foreign companies and subsidiaries of foreign companies, what is the scope of application in case the parent company is a foreign company and the subsidiary company is an Egyptian joint-stock company (SAE), and what is the classification of those foreign companies?	The exception is limited to the transactions of each of the branches of foreign companies and the subsidiaries of foreign companies within the scope of import operations from the parent company and its groups only.
	The foreign companies have been exempted in the Circular. Please confirm that by this, it is meant import operations from any of their authorized suppliers and not shipments received from the subsidiaries / the parent company only.	
	Regarding the exempted companies; is there a condition restricting import from the parent company only or from any other external supplier.	
3	Exemption of the branches of foreign companies and subsidiaries of foreign companies: Please clarify the extent of conformity of the aforementioned exemption in the case of companies related to foreign companies as a result of management control by the group's parent company abroad, in spite of being owned by the group with a non-controlling percentage "less than 51%."	The dealing shall be undertaken through letters of credit only.
4	The companies with a special purpose established specifically to import from the parent group on behalf of the foreign companies active in the local market, considering that those companies are under the actual control of the foreign companies.	If ownership percentage exceeds 50% it will be exempted from the decision.
5	Do the subsidiaries include foreign company agents from Egyptian companies?	The dealing shall be undertaken through letters of credits only.
	Are the authorized agents of companies such as car dealers exempted companies?	
6	Will the foreign companies that import through customs clearance companies or intermediaries be excluded? Where the documents are in the name of the foreign company, but the intermediary uses the Import Card to obtain Form 4.	Considering that the documents are in the name of the foreign company and the import is within the scope of import operations from the parent company and its groups only, in this case the import operation is classified under the exemption granted to the branches of the foreign companies and the subsidiaries of foreign companies, and it is allowed to carry out import operations through documentary collection.
7	In the case of the presence of a sister commercial company and/or the parent company which imports from more than one country and transfers the documents to its subsidiary companies in several countries. Will it be required to open letters of credit for the sister company abroad or for the parent company?	The exemption concerns the subsidiaries which are Egyptian companies subsidiary to foreign companies abroad in which the share of the foreign partner represents more than 50% whether directly or indirectly and the

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		import is undertaken within the scope of the import operations from the parent company and its groups only.
8	<p>In case the free zone companies import for their own benefit (import from outside Egypt), do these instructions apply in this case?</p> <p>With regard to import operations of companies operating under the free zone system carried out through direct transfers and do not require issuance of Form (4), are these operations executed in the usual way or they require to be implemented through letters of credit?</p> <p>What about free zone companies that do not need to approve Form 4? Are advance payments applied to them?</p>	In the event that the free zone companies import for their benefit from outside Egypt, they shall not be excluded from this decision and the transaction shall be undertaken through letters of credit only.
9	<p>What is the status of free zone companies regarding the instructions concerning their dealings among themselves and the companies in Egypt through purchase/sale operations from and to the local market in local currency?</p> <p>What is the status of free zone companies regarding the instructions concerning their dealings among themselves and the companies in Egypt through purchase/sale operations to and from the local market in foreign currencies?</p>	<p>Exempted from the decision and documentary collection is accepted.</p> <p>The dealings of free zone companies with regard to their dealings with companies in Egypt in foreign currencies are subject to the decision and letters of credit shall be opened.</p>
10	In the event that there is a sister company of a free zone company and which imports from it. Shall the dealing be undertaken through a letter of credit?	Excluded in light of the exception granted to free zone companies in the event of dealing in the local currency.
11	Is it permissible to continue accepting collection documents from companies of special nature or those which do not issue Form (4)? for example petroleum companies / free zone companies / special economic zones (SEZ)?	The dealing is undertaken through letters of credit only. In the case of free zone companies the dealings are undertaken in light of the exception granted to them in the event of dealing in local currency.
12	There are accumulated goods in the ports (especially China) and the shipment is carried out successively due to lack of containers and the documents will be received after the date of the instructions. Form (4) will be issued in their regard.	It is required to provide the Central Bank with the details of each case separately.
13	<p>In case the customer pays an advance payment under the documentary collection system- <u>partially or fully before the decision is issued</u> – but the goods have not been shipped yet, or will be shipped after the decision date.</p> <p>In the event that the customer has transferred part of the invoice amount in advance based on the contracting and payment terms and has transferred parts of the value of the same invoice in batches and the goods have not been shipped till the date of the instructions, will the dealings with collection documents be accepted ?</p> <p>There are operations at our bank where customers paid a partial down payment before 13/2/2022 and the customers are requesting to complete the payment of the remaining down payment (The remaining value of the proforma invoice) according to the terms of the proforma invoice, before receiving the shipping documents. Will the customer's request be accepted?</p> <p>What about the advance payment transfers issued by the bank's customers before the issuance of the decision, are they dealt with as part of the credit value at the time the customer opened the letter of credit?</p> <p>Is there a grace period to adjust the situation, especially for the customers who have previously transferred advance payments against the import process?</p>	If the down payment is 100% before the issuance of the decision, the import process may be completed through documentary collection according to the customer's request (actual implementation as of 22/2/2022), whereas if the advance payment has been made through partial payment and before the issuance of the decision, the import process will be completed by opening a letter of credit in the remaining amount and the documents will be in the full value (example: 20% down payment has been paid, the letter of credit will be opened for the 80%, provided that the shipping documents are received in the full value of the import process).
14	What is the status of operations that will be undertaken starting from 14 February till 1 March and will be shipped after 13 February?	The actual implementation will start from 22/2/2022 to cover the shipments that were prepared before the issuance of this decision.

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15	Will the external transfers as advance payments for import operations be stopped?	Yes, and such operations will be undertaken only through letters of credit.
16	In case customers request to transfer the advance payments by pledging to open letters of credit subsequently. Is this action in line with the issued instructions or not? Is it possible to execute advance payments – based on letters of credit that will be opened – subsequently?	The dealings shall only be undertaken through letters of credit.
17	Is it allowed to open stand-by letters of credit (SBLC)? Will the shipping documents be accepted and used in case of granting the stand-by letters of credit facility to the customer? Do we accept issuing stand-by letters of credit (SBLC), by observing that the customer will use this tool to avoid opening several letters of credit, and thereafter use the collection documents? In case of presence of totally covered (100%) stand-by letters of credit (SBLC) that guarantee the shipping documents with unconfirmed term, will the customer be exempted from approving Form (4) under the shipping documents received from the customer?	It is required to provide the Central Bank with the details of each case separately.
18	Will this decision be applied to companies that import through the Draw Back system? Cases of temporary release and admission for exporting customers, especially those exporting ready-to-wear clothes, for their import of many small components in preparation of exporting the product in its final shape. What are the classification and the dealing method of re-exporting and temporary admission companies, where the import process does not necessitate customs clearance or issuance of Form (4). In case of release through temporary admission system, where the customer imports through documentary collection, owing to the fact that the customer performs manufacturing operations as an added value to the imported goods in order to re-export them, as there is no final release in such a case. Will documentary collection be accepted?	Exempted and the shipping documents will be accepted.
19	Regarding exporters and import operations of the required materials, is it permissible to exempt the exporter from the condition of import letter of credit? where in many cases these materials are contracted through the exporter's customers and the cost of import credits and trading are charged to our customers, as it is a local demand and has not been requested from the supplier of the materials, which affects the already small profit margin obtained from export operations while the exporters do not have the cost passing ability due to competition in the global market also the export contracts are often of relatively long duration and fixed prices.	Exempt in the case of temporary admission (drawback system) and the shipping documents will be accepted.
20	Will the collection documents avalized by the bank be treated as equivalent to letters of credit or collection documents, especially that generally they have the same nature of obligation? The status of the shipping documents issued according to the avalized system (accepted bill of exchange issued by the issuing bank and sent to the importer's bank and its acceptance is considered the acceptance of the financing and acceptance of the documents received from abroad).	The avalized collection documents shall not be treated as letters of credit, and the dealing will be undertaken only through opening letters of credit.
21	Are the governmental entities exempt from the decision issued on 13 February 2022? Will the sovereign entities and subsidiaries that do not issue Form (4) be exempt from the decision? as the customs clearance is performed without the need for Form (4).	The dealings shall only be undertaken through letters of credit.

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	<p>In cases where the customer imports in favor of the sovereign entities and which in turn do not issue Form (4), will the transfer request be executed without the issuance of a letter of credit?</p> <p>What is the status of governmental companies, sovereign entities and their subsidiary companies and entities, particularly in the advance payment case and which includes for example national projects like <i>Takaful & Karama</i> (Solidarity and Dignity) Program, new and renewable projects and new cities.</p>	
22	In the case of importing for production lines, spare parts and the like, for private use and releasing by using Form (6), where the shipment will not be released without approving Form (4). Will the transfer request be executed?	The dealings shall only be undertaken through letters of credit.
23	What is the scope of validity of the instructions with respect to production requirements in light of their importance?	The dealings shall only be undertaken through letters of credit.
24	Electronic goods that are assembled in the Arab Republic of Egypt consist of a local manufacturing component + imported foreign component, are mostly dealt with through documentary collection under the principle of trust in dealing between the two parties.	The dealings shall only be undertaken through letters of credit.
25	Regarding import operations registered in the CARGO X platform, some customers reported that they are not required to open letters of credit. Please advise.	The dealings shall only be undertaken through letters of credit.
26	Does the decision include trading operations registered in the ACI system of pre-registration of shipments, even if they were undertaken through collection documents?	Yes, and the dealings shall only be undertaken through letters of credit.
27	<p>By advising on the following points for granting customers credit finance (letter of credits and refinancing) covered 100% according to the following:</p> <ol style="list-style-type: none"> 1. The possibility of removing the following documents from the covered financing transaction: <ul style="list-style-type: none"> A- The customer's application. B- The declaration of the banks and the declaration of the related companies signed by the authorized signatories of the company. C - Certificate from the chartered accountant on the tax and insurance position. D - Valid tax card. E- The company's contract and its amendments / Company Gazette or Investment Gazette (incorporation, amendments - statement of shareholder percentages). F- A letter stating the following: number of employees, company sales, total fixed assets, total current assets (concerning the Central Bank's declarations). 2. Not to request undertaking any credit inquiry, consolidated credit statement and I-Score of the company and shareholders. <p>Concerning the proposed facilities to support companies to shift to the use of letters of credit within the credit limits and facilities determined by the banks, please kindly clarify whether it is possible to agree on providing these facilities based on studying the behavior of customers with their suppliers during the transactions that took place with our bank and before completing some of the basic elements of credit grants, including field inquiry and obtaining part of the documents (inquiry authorization, related parties form, presenting the original of the recent commercial register showing those entitled to borrow and mortgage, etc...) along with the extent to which this is consistent or inconsistent with the controls for granting credit included in the supervisory instructions manual concerning studying the customers' requests to obtain those facilities for the</p>	<p>The Credit Program prepared by the bank in this respect and approved by the competent credit authority at the bank will be used.</p> <p>For expedited implementation, the risk guarantee program is used in association with the Credit Guarantee Company SAE (CGC) according to the letter of the Deputy Governor No. 55 dated 20 February, 2022.</p>

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	<p>purpose of opening letters of credit without cash cover and/or with partial cash cover.</p> <p>Is it necessary to obtain the required documents before granting the financing, such as the declarations of the banks and the declaration of the related companies in case of opening fully covered letters of credit?</p> <p>It is proposed to issue procedures that facilitate granting letter of credit limits to customers commensurate with the nature of small merchants that would also guarantee the rights of banks in the event that merchants violate their obligations in case the letter of credit is not covered in terms of facilitation procedures for small importers.</p> <p>Concerning documentary collection “without obligation on the bank”, letters of credit will be opened instead, according to the instructions, and the question here is whether there will be simplified procedures for normal cases in light of the significant increase in the number of new credit customers as a result of replacing collection documents with letters of credit, for example:</p> <ul style="list-style-type: none"> – Is it obligatory to make a full inquiry through a field visit, or a consolidated statement on I-Score, “<i>protesto</i>” and bankruptcy will be sufficient “especially in the first phase upon granting the credit”, and in case the results of the consolidated statement are negative, such as the customer’s default on a loan in any of the dealing banks or write-off, etc... is there a ban or violation in case of granting him a credit limit? – The process of declaring the related parties, which requires several documents, such as “commercial register, Company Gazette, articles of incorporation, financial data, National ID cards of members of the board of directors and shareholders above 10% and general partners, etc....” – Will the fully covered letter of credit in the cash cover account (not included in deposits or any other cash guarantee) be declared? – Will the fully covered cash credit be treated in the same currency as the fully covered credit (in addition to margin), but in the Egyptian pound? <p><i>Referring to the instructions:</i></p> <ul style="list-style-type: none"> ❖ How will the creditworthiness score (obligor risk rating “ORR”) be determined and the required provisions be calculated? Will that be made based on specific instructions by the Central Bank? Or will be determined according to the bank’s decision? ❖ Regarding the monthly declarations required by the Central Bank of Egypt and the Egyptian Credit Bureau (I-Score) regarding customers who have received credit facilities, will there be an exceptional treatment for these customers or will they be declared in light of the usual procedures as there may be difficulty in some cases, due to the need to complete certain documents by the customers (for example: declaration of the related parties, declaration of dealing with banks, IDs of shareholders, etc...), which may contradict with the concept of opening letters of credit without requiring the customer to provide any documents other than the business process documentation. 	
28	If the credit is fully covered, will interest be granted on the coverage amount?	Based on the decision of each bank.
29	<p>In case of receiving collection documents dated subsequent to the circular, will the documents be rejected and returned to the remitting bank? By advising whether there is a period for adjusting the situation, noting that there are some contracted shipments according to previously defined shipping schedules, as well as the time difference between us and some countries, in addition, some customers are currently being notified of the decision.</p> <p>The situation of goods shipped / arranged to be shipped after the decision was issued, or goods that are in the ports agreed upon.</p>	<p>If goods are shipped before 22 February 2022, the documents will be accepted and the import process will be executed through documentary collection whereas if the shipment is made after 22 February 2022, the Central Bank will be notified of the details of each case separately.</p>

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	<p>What about receipt of a collection document bearing a shipment date following the issuance of the decision. Will the shipment be returned abroad stating that the shipment was returned in accordance with the instructions of the Central Bank?</p> <p>Will any collection documents received by the bank whose date appearing on the bill of lading is subsequent to the issuance of the decision, be returned to the bank sending the documents?</p>	
30	<p>Is there a specific commodity exempted from the cash cover?</p> <p>Is there any change in the cash covers instructions?</p>	The instructions issued by the Central Bank in this respect have not been changed. The decision is only to amend the nature of import operations.
31	Are letters of credit opening commissions applied to customers previously dealt with through documentary collection? considering that the commissions for documentary collection is very low compared to the commissions for opening letters of credit.	Banks have been instructed to reduce all commissions for letters of credit that will be opened in all banks for their customers who have a history of importing through documentary collection only and by the same bank, to the same value of commissions for the documentary collection previously calculated for the bank customers.
32	“Advising on the status of the banks’ commitment to the instructions regarding the necessity to collect cash cover in the amount of 100% of the import operations performed through letters of credit opened for importing goods for commercial companies or government entities (issued by virtue of the Central Bank Circular No. 512 dated 21 December 2015 and its amendments ref. No. 31 dated 22 February 2016), which lays down the commodities exempt from these instructions; including the import of basic food commodities, drugs, serums, etc...”	The instructions issued by the Central Bank in this regard have not been changed. The decision is only for amending the nature of import operations, with which the banks shall comply.
33	In the case of import operations performed under the Open Accounts system between Egyptian companies and their external branches (Egyptian companies having branches in foreign countries), will it be acceptable to work with documentary collection/direct transfers (similar to foreign companies that have branches/subsidiaries inside the Arab Republic of Egypt) or letters of credit will be required?	The dealings shall only be undertaken through letters of credit.
34	What is the correct procedure in case we receive instructions from the customer requesting an amendment by increasing the collection balance under the existing documentary collection system which requires the bank to issue Form (4) in the amount of the increase.	The request to increase will not be accepted. It is required to open a separate letter of credit in the amount of the increase.
35	Is it possible to exempt the companies owned by legal entities established abroad by Egyptians?	The dealings shall only be undertaken through letters of credit.
36	The status of non-trade transfers, for example but not limited to shipping/freight expenses and software.	Executed through direct transfer.
37	Will the transfers for the purchase of software be executed as transfers without following up the submission of documents owing to the fact that they are currently received online, or their execution will be stopped? (Noting that this cannot be executed as a letter of credit according to its nature).	
38	Does air freight fall under express mail definition?	
39	What is meant by shipments received through express mail according to the press release issued by the Federation of Egyptian Banks? and does air freight fall under this item?	Air freight is not necessarily considered express mail.
40	Is an Egyptian limited liability company established for the purpose of importing	Vaccines and serums are excluded.

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	veterinary vaccines in favor of a foreign company established in Egypt, entitled to deal through documentary collection, instead of letters of credit, as the Investment Law does not allow companies, 51% of their shares are owned by non-Egyptians, to obtain an Import Card.	
41	Regarding the commodities excluded from the decision (according to the press release issued by the Federation of Egyptian Banks) <ul style="list-style-type: none"> – Are livestock and live poultry exempt from the decision? – Are veterinary medicines and their chemicals excluded from the decision? – Are chemicals related to agricultural activities excluded from the decision? – Are agricultural seeds excluded from the decision? 	Livestock, live poultry, veterinary medicines and their chemicals are excluded from the decision, whereas chemicals related to agricultural activities and agricultural seeds are not excluded from the decision and are executed only through opening letters of credit.
42	In the case of partnership between the customers in one bill of lading to import materials or foodstuffs, and each of them approves his part by paying and approving Form (4), will more than one letter of credit be opened for one bill of lading?	The dealings shall be undertaken only through letters of credit.
43	What is the status of the annual contracts with suppliers abroad, which were concluded before the decision was issued, and which include a monthly or quarterly share to be issued by the external supplier through shipping documents with supplier facilities, whether avalized or not, for local customers? Will the documents be accepted for the current period or at the end of the annual contract (such as SABIC and Al burouj)?	The dealings shall be undertaken only through letters of credit.
44	What is the status of the importing companies (commercial/industrial) having the legal structure of Egyptian joint-stock company (SAE) and own exclusive distribution contracts or franchise agreements with foreign companies? Can the collection documents continue to be used?	The dealings shall be undertaken only through letters of credit.
45	What is the standard document in case of importing for multinational corporations (MNC)? Is it the commercial invoice or bill of lading, as the parent company may be the beneficiary while the production is from another origin?	It is limited to including the name of the exporter in the documents (the parent company or its groups only).
46	Concerning import operations undertaken through a third party by using a third party import company, will the exemption of the foreign company apply to these operations?	If the documents are in the name of the parent company or its groups only.
47	In the case of import for private use (Form 6), will the import continue through documentary collection, or it will be required to open a letter of credit?	The dealings shall be undertaken only through letters of credit.
48	What is required in import operations for government entities financed from abroad (AFREXM/EBRD/IFC) against risk guarantee? Or in the case of having our bank as a Local Agent?	There is no relation between the financing and the payment mechanism.
49	Regarding the instructions that stipulate that banks shall reduce commissions for letters of credit to the value of commissions for documentary collection, please kindly clarify if this means the issuance commission only, as there are expenses (and not commissions that the bank collects for itself) related to the issuance of the letters of credit which includes, for example: <ul style="list-style-type: none"> – Swift issuance expenses – Express mail expenses – Relative stamp tax – Insurance fees for issuing an insurance policy through cargo insurance companies These expenses are paid to third parties within the framework of issuing the letter of credit. In case the customer does not pay these expenses so that the bank in turn pays them, the bank will bear these expenses on behalf of the customer, which	The total commissions shall not exceed the commission applied to the same customer at the same bank on the documentary collection.

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	will encumber the bank with very high cost, please kindly confirm our understanding that the Central Bank's instructions are limited to the issuance commission, besides the issuance expenses collected by third parties.	
50	Is there an entity that determines the commodities that will be imported or not?	Not Available.
51	Kindly advise if there are limits for the express mail.	Not Available.

Note from the translation office:

This translation has been conducted by our office according to the document submitted by the client and under his responsibility in terms of the content and source of this document without any liability towards our office regarding the document or its content.