

Expanded CBE supervisory and regulatory role Under the Previous Banking Law, the CBE already enjoyed broad supervisory and regulatory powers. The New Banking Law details those powers further and explicitly adds (under article 7 thereof) powers relating to “settlement of status for distressed banks”, “protection of client’s rights and settling related disputes”, and the “protection and consolidation of competition and prohibition of monopolistic practices.”. We view those explicit powers as conferring upon the CBE more powers to intervene in the banking products and practices of Egyptian banks and Egyptian branches of foreign banks (although the freedom of pricing products, already present under the Previous Banking Law, has been retained under article 88 of the New Banking Law). The New Banking Law has set criteria that should be fulfilled for the appointment executives, with the CBE monitoring application. Article 120 of the New Banking Law provides that, without prejudice to the authority of the bank’s general assembly, the “main executives” (defined under the New Banking Law as chairman of the board, board members, and executive managers) must now be approved by the Governor of the CBE (as opposed to the CBE expressing its opinion on those under the Previous Banking Law), as to ensure qualifications’ criteria are satisfied. The same applies to managers of foreign banks branches and their deputies pursuant to article 68. Banks may not convene general assemblies without receiving CBE’s comments on the auditors’ report. The CBE may also order measures such as a capital increase or increasing relevant reserves prior to dividends’ distribution. Banks’ auditors also now have an obligation to report to the CBE any malfunctions or conflict of interest they see within the banks’ internal audit systems. Further, the CBE board of directors now has the power to freeze the auditor’s from conducting its activities, in case of failure to perform its duties (Articles 125–127). The reporting requirements from banks to the CBE has also been expanded according to the New Banking Law. The requirement to provide periodical risk reports in relation to the investment and credit portfolios of the banks under article 90 of the New Banking Law is a quarterly requirement instead of being semi-annually according to the Previous Banking Law. The information relating to banks’ financial position now takes a daily, weekly and monthly format (as opposed to monthly only under the Previous Banking Law). In addition, article 129 of the New Banking Law now authorizes the CBE to request for any information from the relevant Egyptian bank’s parent, sister companies or affiliates. It is worth noting that the supervision fee payable to the CBE has been doubled from EGP 1 for every EGP 10,000 (as stated in the banks’ average financial position) to EGP 2 for every EGP 10,000.