

With reference to banks' enquiries about the CBE instructions issued by letter No. 49 of 13/2/2022 and the email created for banks on 21/2/2022, the following is an updated version of the Q&A

	Questions	Answers
1	What does branches of foreign companies and the subsidiary companies to them mean?	Subsidiary companies are the Egyptian companies subsidiary to foreign companies abroad in which the shareholding percentage of the foreign partner is more than 50%, be it direct or indirect.
	Will the exception apply to the companies indirectly owned by foreign companies?	
	Companies subsidiary to foreign companies are Egyptian shareholding companies that include non-Egyptian shareholders (question is what is the percentage of the shareholder upon which the company is considered subsidiary to a foreign company)	
	The legal entity of an importing company might be an Egyptian shareholding company, however, the ultimate beneficial owner is a foreign entity, would it be considered a foreign company? Please explain	
2	As for exception granted to the branches of foreign companies and their subsidiaries, what is the scope of application in case the parent company is a foreign company and the subsidiary company is an Egyptian shareholding company and what is the classification of these foreign companies?	Exception is limited to the transactions of both branches of foreign companies and the companies subsidiary to foreign companies in the context of import processes from the parent company and its groups only
	Foreign companies have been excluded in the press release- please confirm that what is meant are the import processes by any of the authorized importers, not the consignments incoming from subsidiary companies/parent company only	
	As for the companies granted exception, is there a condition on limiting import to be from only a parent company or from any other external importer	
3	Granting exception to branches of foreign companies and subsidiaries: Please explain the extent of conformity of the mentioned exception in case the companies associated with foreign companies because of being subject to management control of the parent group abroad despite being owned by the group at a percentage that is non-governing 'less than 51%'	Transaction will be only through documentary letters of credit.
4	Companies of specific purpose that are established particularly for import from a parent group on behalf of foreign companies operational in the local market taking into consideration that such companies may be subject to actual control of foreign companies	If the ownership is more than 50%, they are excluded from the decision
5	Do subsidiaries include agents of foreign companies from among Egyptian companies?	Transaction will be through only documentary letters of credit
	Are authorized agents of companies such as 'car agents' considered as excluded companies?	

6	Are the foreign companies that import through customs clearance companies or through agents excluded so that the documents would be in the name of foreign companies but the agent would use the import card to issue 'Form 4'?	In the light of the fact that documents are in the name of the foreign company and that import is in the context of import processes from only the parent company and its groups, in this case the import process would be included in the exception granted to branches of foreign companies and subsidiaries of foreign companies and implementing through documents of collection is permitted.
7	In the case of having a commercial sister company and/or a parent company that imports from more than a country and transfers documents to subsidiaries in several countries, will it be requested to open letters of credit for the sister company abroad or the parent company?	The exception is for subsidiary companies; these are the Egyptian companies subsidiary to foreign companies abroad in which the percentage of the shares of a foreign partner is more than 50%, be that direct or indirect and import is in the context of the import processes from only the parent company and its groups.
8	In case free zone companies import in their own interest (import from outside Egypt), will these instructions apply?	<p>- Any import or purchase for the local market from free zones in EGP or foreign currencies will be through documentary letters of credit.</p> <p>- As for the external free zone transactions, they will follow the regular measures already established prior to issuing the decision.</p>
	As for the companies that work under the free zone system and their import processes undertaken through direct remittances without having to issue Form 4, will such transactions be carried out as usual, or do they entail also documentary letters of credit?	
	What about the free zone companies that do not need Form 4 endorsement, will advance payment be made?	
9	What is the position of free zone companies with respect to the instructions in terms of businesses between them and companies in Egypt through purchase/sale processes from/to the local market in the local currencies?	
	What is the position of free zone companies with respect to the instructions in terms of businesses between them and companies in Egypt through purchase/sale processes from/to the local market in foreign currencies?	
10	In case there is a sister company of a free zone company that imports from it, will transactions be through a documentary letters of credit as well?	Transaction will be through only documentary letters of credit.

11	Will it be acceptable to continue approving documents of collection from the companies of special nature that do not issue Form 4 (for example, petroleum companies and special economic zones?)	Transaction will be through only documentary letters of credit with an exception for border trade.
12	There are accumulated goods in ports (especially China) and shipment would be done respectively due to the lack of vessels and documents will be received after the issuance of the instructions, would Form 4 be issued for them?	The CBE should be provided the details of each case separately
13	In case the client makes an advance payment against the value of the documents of collection, partially or fully prior to the issuance of the decision , but the goods have not been shipped yet or will be shipped after the date of the decision	If the advance payment is done by 100% prior to the issuance of the decision, the rest of the import process may be completed using documents of collection upon the request of the client (actual implementation starts on 22/2/2022). However if the advance payment is partial and done prior to the issuance of the decision, the import process will be completed by opening a documentary letter of credit with the remaining amount and documents should cover the whole value (for example, if 20% is provided as an advance payment, the documentary letter credit will be opened with the value of 80%, provided the documents of shipment would be delivered with the full value of the import process.
	In case the client has transferred an advance payment of the amount of the invoice upon the terms of contracting and payment and has transferred part of the value of the same invoice in instalments while shipment has not been done until the date of the instructions, will documents of collection be approved?	
	There are processes at our end in which the clients have made partial advance payment prior to 13/2/2022 and clients request completing the payment of the rest of advance payment (the rest of the value of the pro forma invoice) in accordance with the terms of the pro forma invoice prior to receiving shipment documents, will the request of the client be answered?	
	What about the remittances of the advance payment issued by bank clients prior to issuing the decision, will they be dealt with as part of the value of the credit when the client opens a documentary letter of credit?	
	Is there a grace for reconciliation of statuses, particularly for the clients who have already transferred advance payments for the import process?	
14	What is the position of the processes that will start as of 14 February until 1 March to be shipped after 13 February?	Actual implementation starts on 22/2/2022 to accommodate the shipments that did not prepare before the issuance of this decision.
15	Will external remittances as advance instalments of import processes be suspended?	Import processes will be implemented through documentary letters of credit and transfer of advance payments will be in accordance with the clients previous business methods already established prior to the issuance of the decision.
16	In case a client requests transferring advance payments while undertaking to open credits later, will this be in compliance with the instructions issued or not?	
	Can advance payments be implemented by using documentary credits that would be opened later?	
17	Is it allowed to open a standby letter of credit (SBLC)?	

	Will shipment documents be accepted in case the client is granted and SBLCs facilitation?	The CBE should be provided with the details of each case separately.
	Should we accept issuing SBLCs, taking into account that the client is using this instrument to avoid opening many L/Cs, consequently uses documents of collection later on?	
	In case there are 100% covered SBLCs that guarantee non-avalized deferred shipment documents, will such client be given an exception by Form 4 endorsement against the value of shipment documents provided by the client?	
18	Does the decision apply to the importing companies that follow the temporary permission method?	Excluded and shipment documents will be acceptable
	The cases of clearing and temporary permission of export clients, especially ready-made-garment exporters, to import many small components in preparation to export them as a final product.	
	What is the classification and the method of treatment of re-exportation companies and temporary permission where the import process does not entail customs clearance or issuing Form 4?	
	In case of clearance upon the temporary permission system in which the client imports through documents of collection as the client makes industrial processes as an added value to imported goods to be re-exported where there is no final clearance in this case, will the usage of documents of collection be acceptable?	
19	As for exporters and processes of importing requisite materials, will it be permissible to exempt the exporter from the import documentary letter of credit condition? Many times, contracting for such materials is done through source clients. In addition, the import credit cost and circulation will be shouldered by our clients as it is a local request that was not requested by the material supplier, an aspect that impacts the already small margin of profit of export processes and the source does not have a cost passing ability due to competition in the world market. Furthermore, usually, export contracts are relatively long-term contracts and the prices are fixed.	Excluded in the case of temporary permission and shipment documents will be accepted.
20	Are avalized documents of collection treated by the bank as similar to documentary letters of credit or documentary collection, especially that they bear the same nature of commitment in general?	Avalized documents of collection are not treated in the same way as documentary letters of credit, transaction takes place only by opening documentary letters of credit.
	The position of avalized exported shipment documents (an acceptable promissory note issued by the exporter's bank and sent to the importer's bank and its endorsement means endorsement of financing and endorsing the documents coming from abroad)	
21	Are governmental entities excluded from the decision issued on 13 February 2022?	Transaction will be only through documentary letters of credit.
	What is the position of governmental companies, sovereign entities, companies and affiliate entities,	

	especially in the case of advance payment that include for example national projects such as 'Takaful and Karama', new and renewable energy projects, and new cities?	
22	Are sovereign entities and subsidiary companies that do not issue Form 4 excluded when customs clearance does not need issuing Form 4?	The CBE should notified of the details of each case seperately
	In cases when the client imports in the interest of sovereign entities that, in turn, do not issue Form 4, will the transfer request be implemented without issuing a documentary letter credit?	
23	In cases of importing production lines, spare parts and the like for special/private use and clearance by using Form 6, where goods are not cleared and without Form 4 endorsement, will the transfer request be implemented?	Excluded and documents of shipment will be accepted
24	Electronic goods assembled in the ARE are composed of a local production part + an imported foreign production part, most often transaction is through documents of collection upon the principle of good faith between the two parties	Transaction will be through only documentary letters of credit.
25	Some clients have notified about import processes registered on CARGOX without requesting to open documentary letters of credit, please advise.	The CBE should be notified of the details of each case individually
26	<p>Please note the following points to provide clients financial credits (documentary letters of credit and refinancing) 100% covered according to the following:</p> <ol style="list-style-type: none"> 1- The possibility of deleting the following documents from the covered financing process: <ol style="list-style-type: none"> a- The request of the client. b- Bank statement and the statement of the associate companies signed by the authorized person on behalf of the company. c- A certificate by a legal accountant on the tax and insurance position. d- A valid tax card. e- The contract of the company and its modifications/the journal of the company or the investment journal (founding, modifications/amendments, a description of the percentages of shareholders) f- A letter indicating the following: the number of the staff, the sales of the company, total fixed assets, total current assets (specific to the CBE endorsements) 2- Not conducting credit information investigation, the combined credit statement, the I-score of the company and shareholders. 	A risk guarantee programme will be used with Credit Guarantee Company in accordance with the letter of Mr. Deputy Governor No. 55 of 20 February 2022 in case the client does not enjoy credit facilities on the level of the banking sector
	As for the proposed facilities to support companies in the alteration towards using documentary letters of credits	

	<p>within line of credit and credit facilities set by banks, please explain whether it is possible to approve providing such facilities based on the study of clients' behavior with their suppliers through the transactions done with our bank and before finalizing some of the steps of granting credit, among which: field investigation, obtaining part of the documents (investigation authorization, associate stakeholders form, providing the original updated commercial register that indicates who is entitled to take a loan, mortgage, ...etc.) and the conformity or conflict with the controls of providing credit set out in the guide of supervisory instructions relevant to studying the requests of clients to receive such facilities with the purpose of opening documentary letters of credit without a monetary cover and/or with partial monetary cover.</p> <p>Is it necessary to obtain the requested documents before granting funds such as bank statement and the statement of associate companies in case of opening fully covered documentary letters of credit?</p> <p>It is proposed to issue procedures to facilitate providing clients limits to documentary letters of credit that conform with the special nature of small traders in such a manner that guarantees the rights of banks in case the traders breach their obligations in case the documentary letter of credit is not covered in terms of facilitating procedures for small importers.</p> <p>As for document of collection 'without obligation on the part of the bank', documentary letters of credit will be opened instead as per instructions, the question is: will there be simplified procedures for the ordinary cases in the light of the rise of the number of new credit clients to a great extent due to the alteration of documents of collection with letters of credit? For example:</p> <ul style="list-style-type: none"> - Will there be a commitment to making full investigation by a field visit or will it be sufficient to have a combined statement, an I-Score, a protest, and a bankruptcy statement, 'especially in the first period of granting' and in case the outcomes of the combined statement is negative, i.e., when the client stops making payments at one of the banks, is there any ban or violation in case of granting them a line of credit? - The procedures of a statement on associate stakeholders that entail many documents such as 'commercial register, the journal of companies, the contract of establishment, financial data, national ID number for members of board and stakeholders above 10%, and joint partners...' - Will the fully covered documentary letter of credit in a monetary coverage account (not 	
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	<p>guaranteed by deposits or any other monetary guarantee) be reported?</p> <ul style="list-style-type: none"> - Will the letter of credit with full monetary coverage in the same currency be treated as the letter of credit with full monetary coverage (in addition to a margin) but in EGP? 	
	<p>With reference to the instructions:</p> <ul style="list-style-type: none"> • How will the credit rating (ORR) be determined and the necessary allocations be calculated, will this be done upon instructions determined by the CBE or will it be determined upon the decision of the bank? • As for the monthly statement required from the CBE and the Egyptian Credit Bureau "I-Score" on the clients who obtained credit facilities, will there be an exceptional treatment for these clients, or will they be reported in the light of the regular procedures as there might be a difficulty in some cases due to the necessity of requesting the completion of certain documents from clients (for example the statement by associate stakeholders, a statement on dealing with banks, documents of identification of stakeholder...etc.) and this may conflict with the concept of opening letters of credits without demanding the client to submit any documents other than the documents of the commercial process. 	
27	In case of the fully covered letter of credit, will there be an interest rate on the amount of insurance?	This is a decision to be taken by each bank individually
28	<p>In case of receiving documents of collection with a date of shipment subsequent to the issuance of the statement, will the documents be rejected and returned to the sending bank with a notification in case there is a grace for reconciliation, taking into account that there are some shipments that have been contracted in accordance with the shipment schedule set in advance never to mention time differences between us and some countries and some clients are being notified about the decision.</p> <p>The position of what has already been shipped/is under preparation for shipment after the issuance of the decision or the goods in ports subjects of already concluded agreements?</p> <p>What about receiving a document of collection with a date of shipment subsequent to the issuance of the decision, will it be returned to the sender with mentioning that in accordance with the instructions of the CBE they have been returned?</p>	If shipment is prior to 22 February 2022, documents will be accepted and the import process will be implemented through the documents of collection.

	Will the documents of collection received by the bank with the date of shipment stated in the policy subsequent to the date of the issuance of the decision be returned immediately to the bank sending the documents?	
29	Is there a certain commodity that is excluded from monetary coverage?	The instructions issued by the CBE in this regard have not changed and the decision is on changing only the nature of import processes.
	Are there changes in the instructions of monetary coverage?	
30	Do commissions of opening credits apply to the clients who have previously dealt with the banks through documents of collection as the commissions of documentary collection are very low in comparison to the commissions of opening letters of credit?	Banks have been instructed to lower all the commissions of documentary letters of credit that will be opened for the clients who have had previous import transactions through only documents of collection from the same bank so that it would be of the same percentage of the commission of documents of collection previously calculated for the clients of the bank
31	Please advise concerning the position of banks' commitment towards the instructions on the obligation of collecting a monetary coverage at a rate of 100% from the import processes that take place by documentary letters of credit opened to import goods for commercial companies or for governmental entities (issued upon periodical instructions of the CBE with reference number 512 of 21 September 2015 and its amendments of reference number 31 on 22 February 2016) that provides for the goods excluded from these instructions among which are fundamental food products, medications, and vaccines, ...etc.	The instructions issued by the CBE in this regard have not changed and the decision is relevant to modifying the nature of import processes only; banks should adhere to such instructions.
32	In case of the import process that take place under the open accounts system among Egyptian companies and their external branches (Egyptian companies owners of branches in foreign countries), will documents of collection/direct transfer be acceptable (following the same rule of the foreign companies that own branches/subsidiaries in the ARE), or will transaction be through documentary letters of credit?	Transaction will be through only documentary letters of credit
	Is it possible to exclude the companies owned by legal entities founded abroad by Egyptians?	
33	The position of non-commercial remittances such as shipment costs, freightage, insurances, and software, to mention but a few.	They would be implemented through direct remittance

34	As for the remittances of purchasing software, are they implemented as remittances without following the submission of documents since they are received via the internet as the method already followed, or will they be suspended, taking into account that they cannot be implemented as a documentary letter of credit due to their nature?	
35	Is air freight included under the express mail?	Air freight is not necessarily express mail
36	What does 'shipments incoming by express mail' mean in accordance with the press release of the Federation of Egyptian Banks and is air freight included under this item?	
37	Does a limited liability company established with the purpose of importing veterinary vaccines for a foreign company founded in Egypt have the right to deal on the basis of documents with fees instead of documentary letters of credit, since the Investment Law does not allow the companies with more than 51% non-Egyptian ownership to issue an import card? What is the position of human corneas from the decision?	Vaccines, serums and human corneas are excluded.
38	As for the goods excluded from this decision (in accordance with the press release of the Federation of Egyptian Banks) <ul style="list-style-type: none"> - Are live cattle and live poultry excluded from the decision? - Are veterinary medications and the relevant chemicals excluded from the decision? - Are the chemicals relevant to agricultural activities excluded from the decision? - Are seeds excluded from the decision? 	Live cattle, live poultry, veterinary medications and the relevant chemicals are excluded from the decision. As for the chemicals relevant to agricultural activities and seeds, they are not excluded from the decision and should be implemented through only opening documentary letters of credit.
39	In case clients are associated in one shipment policy to import materials or food products while each finances the part relevant to them and each fills Form 4 for endorsement, will more than documentary letter of credit be opened using one shipment policy?	Transaction will be through only documentary letters of credit.
40	What is the position of annual contracts with suppliers abroad concluded prior to issuing the decision that include monthly or quarterly share exported by an external supplier to local clients through shipment documents with supplier facilitation, avalized or non-avalized, will the documents be acceptable for the time being or until the end of the annual contract (for example SABIC and Buruj)	Transaction will be through only documentary letters of credit.
41	What is the position of the importing companies (commercial and industrial) that have a legal structure (Egyptian shareholding company) and owns exclusive	Transaction will be through only documentary letters of credit.

	distribution contracts or franchise agreements of foreign companies, can they still use documents of collection?	
42	What is the standard document in the case of import for multinational corporations, is it the commercial invoice or the bill of lading since the beneficiary can be the parent company while manufacturing is in another origin?	It will be limited to have the name of the exporter in the documents (the parent company or its groups only).
43	As for the import processes established through a third party by using a company affiliate to external entities for import, will the exception of foreign companies be applied to these processes?	Only if the documents are in the name of the parent company or its groups.
44	In case of import for private use (form 6) will import be still through documents of collection or should a letter of credit be established?	Excluded and documents of shipment will be accepted
45	What are the prerequisites of import processes for governmental entities funded by external entities (IFC/EBRD/AFREXIM) for a risk guarantee? Or in case of having our bank as a local agent?	There is no relation between funding and payment mechanism
46	As for the instructions that provide for reducing commissions of documentary letters of credit to be similar to the commissions of documents of collection, please explain what is meant by 'issuance commission' as there are expenses (not commissions that the bank collects in its own benefit) relevant to issuing the documentary letter of credit that includes for example: The expenses of issuing SWIFT. The expenses of express mail. The tax of fiscal stamp. The insurance fees of issuing the insurance certificate through companies of insurance on goods. These expenses paid to other entities in the context of issuing a documentary letter of credit and in case the client does not pay such expenses so that the bank would play its role by paying them; then the bank would incur such expenses on behalf of the client which will incur a very high cost to the bank. Please support our understanding that the CBE instructions are limited to the issuance commission apart from the issuance expenses obtained by other entities.	Total commissions do not exceed what has been already applied to the same client in the same bank for documents of collection.
47	Is there an entity that determines the goods imported or not?	There is not.
48	Please advise if there are limits to express mail.	There is not.
49	In case a certified agent in Egypt of a foreign company requests cargo substitution in the context of the guarantee on the cargo imported from such foreign company, will the decision apply?	Excluded and documents of shipment will be accepted.