

**DRENY &
PARTNERS**

ATTORNEYS AT LAW

**REQUIREMENTS FOR
PREVAILING DIGITAL
BANKING LICENSE**

25/07/2023

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DIGITAL BANKS AND SCOPE OF SERVICES PROVIDED

DIGITAL BANKS AND SERVICES PROVIDED

BACKGROUND

Digital banks are those that provide banking services through digital channels or platforms using modern technological interfaces.

REGULATIONS FOR DIGITAL BANKING ACTIVITY

Practicing Digital banking in accordance with Central Bank and Banking System Law, excluding providing lines of credit for large companies unless requirements are met.

Prohibiting the establishment of branches.

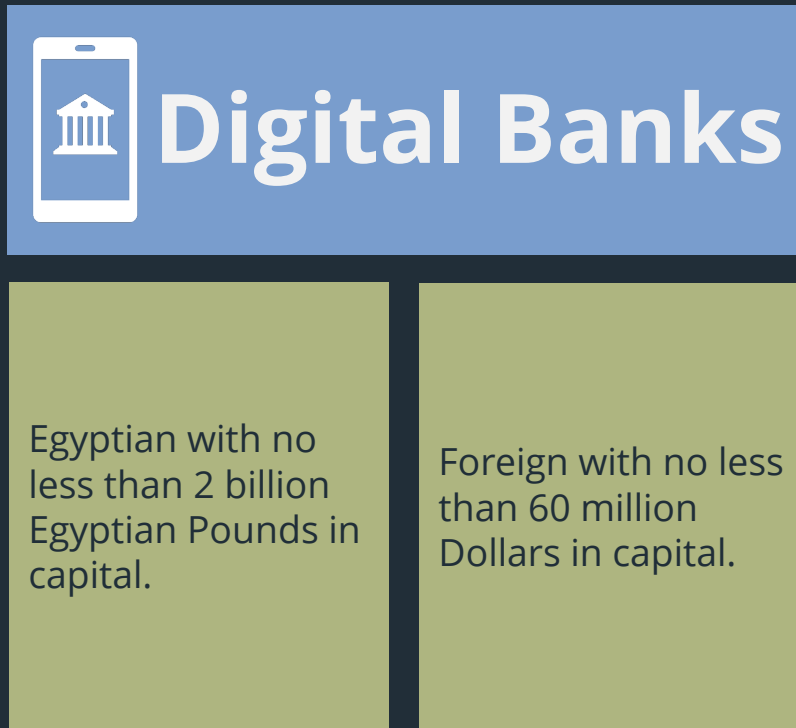
Allowing the use of banking agencies after obtaining the approval of the Central Bank.

LICENSE AND REGISTRATION

LICENSE AND REGISTRATION

LICENSE REQUIREMENTS

Figure 1.1



The applicant must be following one of the legal structures below :

Figure 1.1;

- Egyptian company , shares are all nominal
- A branch of a foreign bank whose head office incorporates specific nationality and is subject to the supervision of a regulatory authority in the country in which it is located



- at least 30% of capital must be owned by Financial institution shareholders must have ownership percentage of.



- Financial institution must have previous work in similar areas and may not be exempt from this requirement without Central Bank Board approval.

LICENSE REQUIREMENTS FOR BOTH EGYPTIAN AND FOREIGN

LICENSE AND REGISTRATION

LICENSE REQUIREMENTS

In addition to aforementioned, the following is required for a digital foreign or an Egyptian company affiliated with a foreign bank or a foreign financial institution:

The headquarter must have a specific nationality

The head office is subject to the control of the corresponding supervisory authority in the country in which it is located

There should be no objection to applying the principle of joint supervision with the Central Bank of Egypt

The head office of the foreign bank has policies to combat corruption, bribery, fraud and anti-money laundering and combating the financing of terrorism

If a foreign bank or financial institution receives a credit rating from one of the international credit rating agencies (Fitch Ratings, Moody's, S&P), proof of this will be provided

LICENSE AND REGISTRATION

PROCEDURES FOR OBTAINING PRELIMINARY APPROVAL

1

Applicant must submit documents, proof of examination fee payment, and a one million Egyptian Pounds fee or 50,000 US Dollars for digital bank or branch approval.

2

The Central Bank Board must decide on applications within 90 days, with finalization for Egyptian and extension for foreign branches based on cooperation policies.

3

In the event of the application being rejected, the concerned parties shall be notified of this within thirty days from the date of issuance of the rejection decision.

LICENSE AND REGISTRATION

DOCUMENTS REQUIRED FOR INITIAL APPROVAL

Main and alternative data operation centers

Information technology infrastructure.

The basic pillars of the information infrastructure, the most important of which are:

Cybersecurity controls ensuring infrastructure, systems, applications and compliance with cybersecurity frameworks.

IT systems and key business applications.

LICENSE AND REGISTRATION

DOCUMENTS REQUIRED FOR INITIAL APPROVAL

The Information technology and cybersecurity strategic plan shall include the following:

- Tasks for cybersecurity employees and controls for authorized access to digital bank systems.

- Cybersecurity plan outlines risks and objectives for digital bank.

- Implementation plan for detecting vulnerabilities and penetration in all systems.

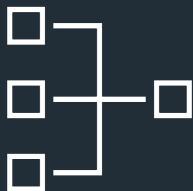
- A cybersecurity monitoring plan with mechanisms and procedures.



- Implementing cybersecurity incident response plans and policies.

- Training programs for digital bank employees to reduce cyber-attack risk.

- Plan of training programs for systems managers and cybersecurity officials.



LICENSE AND REGISTRATION

REQUIREMENTS FOR INITIAL APPROVAL

Digital channels for customers' banking services, systems, and insurance plans:



Conventional or interactive ATMs



Internet



Mobile phone or tablets



Interactive Voice or Digital Contact Centers

A statement of the electronic payment and acceptance tools that are planned to be made available to customers, and the associated systems and insurance plans as follows:



Electronic payment cards



E-wallets (mobile wallets)



Transactions through electronic points of sale or Qrcode

LICENSE AND REGISTRATION

REQUIREMENTS FOR INITIAL APPROVAL



Customer identification and verification procedures.



Digital bank's internal control, risk, management, work systems, governance, sustainable finance rules, and business continuity plan ensure continuity of services.



Rules for licensing and registration of digital banks, regulatory and supervision

In the case of a digital bank in the form of an Egyptian company affiliated with a local or foreign bank or financial institution, a statement of the following must be submitted:



Services to be provided by the bank or financial institution on its behalf, if any.



Banks use applications and systems to combat money laundering and terrorist financing, including name examination, customer knowledge, and monitoring high-risk transactions.

LICENSE AND REGISTRATION

REQUIREMENTS FOR INITIAL APPROVAL

Any other documents required by the Central Bank

FOR A BANK LICENSE IN THE FORM OF A DIGITAL FOREIGN BANK BRANCH

- Approval of the head office of the foreign to establish a branch in the Arab Republic of Egypt.
- Approval from competent authority for branch opening, ensuring bank's license, financial stability, and compliance with standards and controls.
- Evidence that none of the founders, major shareholders, ultimate beneficiaries, or members of the Board of Directors have been included in the sanctions lists (local and international).
- Head office articles of association certified by competent authority, accompanied by Arabic translation from accredited offices.
- A copy of the bank's financial statements for the last five financial years and the auditors' reports.

REGISTRATION

REGISTRATION

EGYPTIAN

The Central Bank's Governor received a preliminary digital bank license application. The incorporation process must be completed within one year, or the approval may be null and void.

Major requirements for license application for bank registration;

Tax card and commercial register,

Preliminary contract, AOA, and incorporation decision,

Ultimate beneficiary identification and fund source legitimacy,

Proof of payment of an inspection fee of five hundred thousand Egyptian Pounds for the head office.

FOREIGN

A foreign bank's digital branch license application must be submitted to the Central Bank's Governor within six months of receiving preliminary approval. The Board may extend the period if necessary.

Major requirements for Central Bank bank registration;

Tax card and commercial register,

A bank deposit certificate confirming transfer more than \$60 million USD,

instructions for private security policies and procedures for securing the financial system,

Proof of \$25,000 inspection fee payment for headquarters.

PARTIAL LICENSE TERMINATION, SUSPENSION OF OPERATIONS AND DEREGISTRATION

PARTIAL LICENSE TERMINATION, SUSPENSION OF OPERATIONS AND DEREGISTRATION

The instructions for licensing and registration of banks and representative offices of foreign banks issued to cancel licenses, partially or completely suspend operations, and terminate registration shall apply in this regard:

BACKGROUND

The Central Bank Board of Directors will approve a partial suspension of operations and proceed with the complete stop procedures. The digital bank or branch must publish a notice stating they will stop operations at least twice in two widely circulated daily morning newspapers.

The announcement will be published on the bank's official website and electronic platforms. The digital bank or branch intends to submit a request to the Central Bank of Egypt to stop operations in the Arab Republic of Egypt, and the announcement must invite depositors, creditors, and those who have the right to submit a statement of their rights. The bank will pay any outstanding fees.

WORKING ON THIS



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