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## Egypt

**Post:** Cairo

### **Egyptian Further Increases the Cost of Imports as Central Bank Regulations Limit Payment Options for Incoming Goods**

**Report Categories:**

Trade Policy Monitoring

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**Report Highlights:**

Alongside other measures intended to restrict the outflow of foreign exchange, in late December 2015, the Egyptian Central Bank issued the first of a number of policy statements reflecting changes that restrict the transfer of funds abroad to pay for imported goods. Under the new policies, for imports, no matter the source, fund transfers must be made using a letter of credit and any required export documentation must be transmitted directly from the exporter's bank to the Egyptian bank. Other payment terms or methods of document transmittal will not be accepted by the Egyptian authorities.

**General Information:**

On December 21, 2015, the Egyptian Central Bank issued a policy statement concerning terms of payment and the exchange of customs documents through banks. The new policy aims to minimize manipulation or alteration of customs documentation, in particular the manipulation of invoice values and product origins. Furthermore, the policy increases the cash deposits that local banks are required to hold on letters of credit opened to finance import transactions.

These measures are impacting both local importers and foreign exporters to Egypt. Importing firms must comply with these policies in order to avoid customs delays or rejections. Under the new policy, all transactions for imported goods must be made using a letter of credit and bank-to-bank document collection. Customs documents may not be transferred directly to buyers, by mail, courier, etc. Alternate payment terms, such as cash against documents, open invoice, or cash on delivery are no longer permitted.

U.S. firms exporting to Egypt must now submit an invoice and relevant export documentation to their U.S. bank. The U.S. bank will then transmit the export documentation to the Egyptian bank, as well as request the issuance of a letter of credit. Upon receipt of the documents by the Egyptian bank, the funds will be transferred and the goods released from customs. Other payment terms or document transfers will not be accepted by the Egyptian authorities.

The following imports are excluded from the new requirement:

- Imports by branches or subsidiaries of foreign companies
- Birds and livestock
- Materials, production supplies, and factories spare parts imported by air
- All goods and products imported by air
- Fresh or frozen meats transported by land (as of April 10, 2016)

Of additional note to Egyptian importers, as of February 22, 2016, the Egyptian Central Bank now requires that 100 percent of the value of the letter of credit be held in the importing firm's Egyptian bank. This is an increase from the previous requirement of 50 percent. Exceptions to this requirement are for the importation of:

- Basic foodstuff including powdered milk and infant formula
- Equipment, machinery and spare parts
- Raw materials and semi-finished goods, including medical equipment and its tools and supplies, programs, applications and computers
- Medicines and vaccines