



Cryptocurrency and Blockchain Regulation

Egypt



2023 Edition

Blockchain and Digital
Transformation in Africa.



TABLE OF CONTENTS

04

Overview

05

Cont.

06

Draft Law

07

Central Bank and Banking Sector
Law No.194

08

Copyright and Discliamer

09

References

Note: The information provided here implicitly highlights various regulations and laws in the country that can potentially impact digital asset service providers operating in the country's crypto and blockchain landscape. While these laws do not explicitly address cryptocurrencies, they provide a foundation upon which regulations can be modified or adapted to accommodate the evolving crypto and blockchain landscape in the nation.

Overview

In December 2017, Egypt's Dar al-Ifta Grand Mufti Shawky Ibrahim Allam declared cryptocurrency use, including purchasing, selling, and leasing, haram. Concerns about bitcoin value uncertainty, governmental supervision, and fraud prompted the fatwa. Allam warned that cryptocurrencies, like gambling, might harm the economy, market equilibrium, and work. Cryptocurrency is used for tax evasion, money laundering, and terrorist funding, he said[1]. Allam also noted the lack of security, hackability, and financial rules, which might cost users a lot of money. He maintained that centralized financial regulations and state authority prevent financial fraud and ensure stability. Allam acknowledged the necessity for further study and regulation to assess the Islamic legal legitimacy of cryptocurrencies and NFTs.

In this regard, Egypt's Dar al-Ifta, the main Islamic legislature, banned commercial bitcoin and cryptocurrency transactions in 2018. The Central Bank of Egypt (CBE) also advised against trading cryptocurrencies owing to their significant dangers and emphasized that Egypt only accepts legal paper currencies.

In 2019, the CBE stated its intention to write a law banning the production, trading, or marketing of cryptocurrencies without a license, signaling a change in its view of digital currencies.

The Egyptian Parliament passed the Central Bank and Banking Sector Law No.194 in 2020, which provided several digital and technology tools to digitally change the banking and financial sector. This law covered digital finance, cheque settlement, e-money, cryptocurrencies, fintech, and regtech. It defined and licensed "Digital Banks." In conclusion, Egypt has moved to adopt digital currencies and related technology into its banking and financial system despite early religious and legal concerns.

[1] BBC News, "Egypt's Grand Mufti Endorses Bitcoin Trading Ban," BBC News, January 2, 2018, sec. Middle East, <https://www.bbc.com/news/world-middle-east-42541270#:~:text=Egypt>

Cont.

In 2022, the Central Bank of Egypt (CBE) warned again against cryptocurrency' extreme volatility, financial crimes, and e-piracy. Cryptocurrencies are not issued or backed by the CBE. The warning follows the Central Bank and Banking Sector Law No. 194 of 2020, which bans cryptocurrency and associated activities. This statute includes prison sentences and fines of 1–10 million Egyptian pounds. The CBE reiterated its January 2018 warning that cryptocurrencies need central bank and government support. Initially, Dar El-Ifta, Egypt's largest Islamic organization, banned cryptocurrency buying, trading, and leasing based on Islamic religious beliefs.



Draft Law

The In 2019, the Central Bank of Egypt (CBE) drafted a banking regulation that would require licenses to create, advertise, or operate cryptocurrency platforms. If passed, the proposed bill would allow the CBE's Board of Directors to set cryptocurrency trading and handling guidelines[2]. The draft law aimed to stay up with fintech and banking and financial services technology. The law would legalize electronic authentication of bank transactions, payment orders, and transfer instructions, subject to CBE Board of Directors regulations.

Egypt's new draft banking law aimed to legalize electronic check and discount order settlement, issuance, and circulation. The Central Bank of Egypt's Board of Directors will set technical standards to give digital procedures legal validity. The National Bank of Egypt tested blockchain for letter of credit transactions. The Central Bank of Egypt has been cautious and hostile toward decentralized cryptocurrencies like Bitcoin. However, new financial legislation and initiatives may change the CBE's position.

[2] Marie Huillet, "Egypt: Central Bank's Draft Law Requires Licenses for Crypto-Related Activities," Cointelegraph, May 28, 2019, <https://cointelegraph.com/news/egypt-central-banks-draft-law-requires-licenses-for-crypto-related-activities>.



Central Bank and Banking Sector Law No.194

In 2019, the Egypt's Central Bank Law No. 194/2020 aimed to advance financial industry digitization. The law covers cashless payments, payment service providers, payment systems operators, digital banks, e-money, and cryptocurrency. It seeks to modernize Egypt's banking system and boost its financial technology sector, promoting financial inclusion and digital transformation[3].

The legislation appointed a Deputy Prime Minister as Governor of the Central Bank of Egypt (CBE), raised its minimum capital requirement, and addressed data privacy and security. The law also created the "National Payments Council" to promote e-payments and reduce cash use.

This legislation created a CBE Dispute Resolution Committee and a department to handle bank client complaints. An arbitration and settlement center handles disputes over the new financial law.

Notably, Foreign central banks and Egyptian foreign banks are likewise supervised by the law. It encourages collaborative supervision, coordination, and recognition of foreign competent central banks, harmonizing parent banks and their Egyptian branches and easing information sharing.

Egypt's move to a cashless economy and financial innovation are supported by the CBE Law's complete framework for digital banking, fintech, and payment systems.

[3] Rehan El-Bashary, "Digitalization and Technological Transformation in the Banking and Payment Sector in Egypt," Lexology, October 5, 2020, <https://www.lexology.com/library/detail.aspx?g=5e1ace20-7014-4dcd-986c-4948ff41a468>.

COPYRIGHT & DISCLAIMER

Chaintum Research has copyrighted this work in 2023 and released it under the Creative Commons Attribution-NonCommercial-NonDerivatives 4.0 International Public License.

Cryptocurrency and Blockchain Regulation Egypt © 2023 by Chaintum Research is licensed under CC BY-NC-ND 4.0. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/4.0/>

The content is for informative purposes only and does not constitute investment/regulatory advice or management consultancy. This content does not indicate a commercial connection with Chaintum Research, and Chaintum Research is not liable for its usage.

This content may be copied, distributed, and cited under the Creative Commons license. Users should include separate citations for pictures, figures, and tables used with third-party authorization or under a different Creative Commons license.

To seek permission to remix, modify, build upon, or distribute any derivative of this content, email info@chaintumresearch.org with "Permission request" in the subject line. Thank you for your interest!

References

BBC News. "Egypt's Grand Mufti Endorses Bitcoin Trading Ban." BBC News, January 2, 2018, sec. Middle East. <https://www.bbc.com/news/world-middle-east-42541270#:~:text=Egypt>.

El-Bashary, Rehan. "Digitalization and Technological Transformation in the Banking and Payment Sector in Egypt." Lexology, October 5, 2020. <https://www.lexology.com/library/detail.aspx?g=5e1ace20-7014-4dcd-986c-4948ff41a468>.

Huillet, Marie. "Egypt: Central Bank's Draft Law Requires Licenses for Crypto-Related Activities." Cointelegraph, May 28, 2019. <https://cointelegraph.com/news/egypt-central-banks-draft-law-requires-licenses-for-crypto-related-activities>.