

Bank M&A in Egypt – Key regulatory and process considerations

Egypt has seen a flurry of M&A transactions in recent years. This briefing sets out a high-level overview of certain regulatory and process considerations in the context of a typical bank M&A deal in Egypt.

Various approvals from the Central Bank of Egypt (CBE) will be required at different stages

- To circulate an Information Memorandum (IM)
 - It appears to be standard practice to inform the CBE in advance
 - In our experience, the CBE has not requested a draft of the IM to review prior to issuance
 - The CBE is strongly focused on banking secrecy considerations; as such, information identifying particular customers should not be included in the IM (or in the data room).
- To grant due diligence access to bidders
 - The CBE is unlikely to accept more than five or six bidders being granted access to due diligence
 - Accordingly, it may be necessary to run a two-stage auction process with initial offers being submitted based on an IM
 - Once potential bidders have reviewed the IM and submitted indicative non-binding offers, the CBE will expect to be notified of the identity of those bidders to whom the seller would like due diligence access to be granted.
- As well as a letter from the seller, the relevant bidders will need to submit their own due diligence access requests to the CBE
 - The CBE 'front-loads' the approval process, and gives detailed consideration to each shortlisted bidder when it considers granting due diligence access
 - It is likely to take between four and six weeks (after submission of the request letters) for the CBE to approve due diligence access being granted

Deal activity drivers

Egypt has seen a flurry of M&A transactions in recent years.

Key drivers include:

- GCC banks looking to establish a more significant foothold in Egypt's growing banking market
- Some international banks exiting Egypt following global strategic reviews
- Local banks with strong cash positions looking to grow market share

Executing bank M&A in Egypt requires careful planning in relation to regulatory requirements and proactive engagement with local authorities, primarily the Central Bank of Egypt.

- In our experience, an internal memorandum on each shortlisted bidder will be prepared for the CBE board to consider in a meeting. The CBE board typically meets every other Tuesday (i.e. twice a month).
- To close the transaction
 - In light of the CBE's detailed consideration of shortlisted bidders prior to granting its approval for due diligence access, the final approval is generally expected to be more of a confirmatory step rather than the CBE conducting a further detailed assessment
 - This final approval would usually take some two to four weeks to obtain.

- The CBE is generally accepting of a sale being conducted by way of auction, provided that strict controls are put in place to protect confidential information.
- The CBE is keen to understand parties' intentions with regard to employees. Any suggestion that there will be a staff retrenchment programme may not be looked upon favourably.
- Additional legal or regulatory consents / approvals may be required (e.g. to repatriate sale proceeds offshore).

Depending upon the particular circumstances of the Target, it may be necessary to also obtain prior approvals from other regulators

- the Egyptian Financial Services Authority
- the Egyptian Competition Authority, and/or
- the General Authority for Investment and Free Zones.

Antitrust

A post-closing notification is likely to be required in Egypt; the local anti-trust notification regime is not suspensory.

Recent Clifford Chance roles on bank M&A in Egypt

Clifford Chance has the leading bank M&A practice in the Middle East, including considerable experience advising international banks on M&A transactions in Egypt, having recently advised Qatar National Bank on its acquisition of National Société Generale Bank SAE (now renamed QNB ALAHLI) and Citibank on the sale of its consumer banking and cards business, amongst others.

Key contacts



Mohammed Al-Shukairy
Partner

T: +971 4 503 2707
E: mo.al-shukairy
@cliffordchance.com



Andrew Steele
Senior Associate

T: +971 4 503 2728
E: andrew.steele
@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

Clifford Chance, Level 15, Burj Daman, Dubai International Financial Centre, P.O. Box 9380, Dubai, United Arab Emirates

© Clifford Chance 2015

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571. Registered office: 10 Upper Bank Street, London, E14 5JJ. We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications. Licensed by the DFSA.

www.cliffordchance.com

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Casablanca ■ Doha ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Istanbul ■ Jakarta* ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Perth ■ Prague ■ Riyadh ■ Rome ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Sydney ■ Tokyo ■ Warsaw ■ Washington, D.C.

*Linda Widyati & Partners in association with Clifford Chance.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.