



## The FRA issues a regulatory framework for non-banking financing in foreign currency

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### Introduction

On 5 January 2026, the Financial Regulatory Authority ("**FRA**" or the "**Authority**") issued decree No. 318 of 2025 ("**Decree**"), setting out the rules regulating extending non-banking financing in foreign currency.

The Decree aims at avoiding risks that may arise from extending non-banking financing in foreign currencies without entirely restricting dealings in foreign currency. The Decree applies to entities undertaking factoring, financial leasing and small and medium enterprises financing ("**SMEs**").

This Decree was published in the Official Gazette and on the FRA's website on 6 January 2026, and has entered into force the following day.

We will delve into the key highlights of the Decree as follows:

### Obligations of Non-Banking Financial Institutions Undertaking Financial Leasing and SME'S Financing Activities

The Decree states that entities undertaking financial leasing and SME's financing activities can only extend financing in foreign currency provided that certain conditions are met, including verifying that the financing relates to an importation transaction and the entity must ensure that the import transaction falls within the client's line of business. Further, documents evidencing the opening of a letter of credit with banks, or any equivalent document, must be presented. The Decree specifies that this requirement does not apply to clients conducting their activity within Free zones.

### Obligations of Non-Banking Financial Institutions Undertaking Factoring Activities

Factoring companies must ensure that the financed operation includes a foreign party, either the seller or the debtor. In addition, the operation must concern an import or export transaction related to the seller's activity. The seller must provide documents proving that the transaction is related to their activity.

To protect against insolvency, the factoring operation must give the right to the factoring company to pursue the seller in case of default of the debtor.

In order to ensure safety for cross-border factoring transactions and limit their risk, the factoring company and the correspondent factor must be registered and members with the Factors Chain International ("**F.C.I.**").

### The Obligations of all Non-Banking Financial Institutions to Exercise Due Care of a Prudent Person



The Decree states that, for all activities, the non-banking financial institution must exercise due care of a prudent person when preparing a credit study of the debtor, or the seller of the financial rights, and ascertaining the financial position of the party obligated to pay, in addition to verifying that it has sufficient sources of foreign currency to pay its debts.

This obligation serves as a safeguard against foreign currency deficits that may intensify the existing scarcity of foreign currency within the country. Through proper assessment of the client's financial position, the financial institution reduces the likelihood of default and limits the risk of foreign currency leakage.

#### Rules relating to the Source of Financing

The Decree adds that the non-banking financial institutions must have one of the following sources for their foreign currency transactions:

- a) The resources of the company if the company's capital is composed of foreign currency.
- b) Any banks registered with the Central Bank of Egypt and entities that are licensed to deal in foreign currencies.
- c) Foreign entities approved by the FRA.

#### Conclusion

The Decree sets out strict criteria for non-banking financing in foreign currency ensuring that such financing is not entirely restricted but available in accordance with certain rules to promote foreign currency availability and orderly circulation of foreign currency within the domestic economy.