

LAW ON THE CENTRAL BANK OF YEMEN, JUNE 25, 2000

The President of Yemen,

- Having reviewed the Constitution of the Republic of Yemen, and

- Upon the approval of the Council of Ministers and the House of Representatives,

Hereby issues the following Law:

Chapter 1. Designation and Definitions

Article 1.

This law shall be called the Law on the Central Bank of Yemen.

Article 2.

For purposes of this law, the following terms and expressions shall have the meanings indicated below, unless the context should require another meaning:

- (a) Yemen: The Republic of Yemen.
- (b). Government: The Government of the Republic of Yemen.
- (c.) Bank: The Central Bank of Yemen.
- (d) Board: The Board of Directors of the Central Bank of Yemen.
- (e) Governor: The Governor of the Central Bank of Yemen.
- (f.) Deputy Governor The Deputy Governor of the Central Bank of Yemen.
- (g.) Banks: Legal entities engaged primarily in banking activities, including commercial and specialized banks (the former also including Islamic banks) or branches of foreign establishments engaged in banking activities.
- (h) Banking activities:
 - 1. Receiving cash deposits payable on demand or in accordance with other arrangements, which may be withdrawn by check, money order, or payment order; granting loans and credit facilities.
 - 2. Banking activities also include the following:
 - (a) Purchasing and discounting drafts, promissory notes, coupons, and bonds for commercial purposes.
 - (b) Carrying out ordinary banking transactions with correspondents and obtaining customary banking facilities.
 - (c) Buying and selling foreign currencies, bullion, gold and silver coins, shares, and bonds.
 - (d) Issuing and discounting promissory notes and letters of guarantee.

- (e) Opening documentary credits and receiving bills of lading.
- (f) Collecting checks, securities, drafts, and promissory notes.
- (g) Acting as agent or trustee, in the capacity of correspondent or agent of banking and financial institutions.
- (h) Buying and selling government notes and securities.
- (i) Leasing: includes leasing production equipment, tools, machinery, vehicles, or real estate for a specified purpose and period of time in exchange for a specified rent, with a pledge to sell the property at the end of the leasing period in accordance with the terms agreed upon by the lessor and lessee for converting the lease agreement to a sale or transferring ownership of the property from the lessor to the lessee.
- (j) Exchange: The purchase and sale of foreign currency.
- (k) Currency: The currency of the Republic of Yemen, comprising banknotes and coins.
- (l) Foreign exchange: Foreign currencies or payables and receivables in foreign currencies.
- (m) Public institution: Any legal entity having an independent budget, including public agencies and corporations covered by the provisions of the Law on Public Institutions, Agencies, and Corporations.
- (n) Financial institution: Any legal entity engaging in banking activities or any nonbank credit institution.
- (o) Court: Any court having jurisdiction, pursuant to the Judicial Authority Law, to implement the provisions of this law and other laws in force.

Article 3

The Bank shall have the status of a legal entity, financial and administrative autonomy, and a special seal. It shall carry out its duties in accordance with the provisions of this law, entirely independent from any other authority in the pursuit of its objectives and the performance of its tasks. The Bank shall receive no instructions from any other person or entity except in accordance with the provisions of this law. The independence of the Bank shall be respected, and no person shall interfere in its activities or attempt to influence its decisions.

Article 4

The Bank shall have its headquarters in the city of Sana'a for purposes of conducting its business in Yemen and abroad, and it may open branches, agencies, and offices and appoint correspondents, subject to the approval of the Board.

Chapter 2. Objectives, Duties, and Responsibilities of the Central Bank

Article 5

1. The primary objective of the Bank shall be to achieve and maintain price stability. Another objective shall be to foster the liquidity, solvency, and proper functioning of a stable, market-based financial system.
2. Without prejudice to the principle objective described in paragraph (a) above, the Bank shall carry out its activities within the framework of the government's economic policy. In order to achieve these objectives, the Bank have the following duties and responsibilities:
 - (a) To formulate, adopt, and execute a monetary policy that is consistent with its primary objective of achieving and maintaining price stability.
 - (b) To determine the foreign exchange rate regime, in consultation with the Government, and to formulate, adopt, and execute the exchange rate policy.
 - (c) To license banks and financial institutions and supervise their activities.
 - (d) To hold and manage the country's official foreign reserves.
 - (e) To promote the smooth operation of payments systems.
 - (f) To act as banker, advisor, and fiscal agent of the Government.
3. The Bank shall follow the administrative and accounting methods used by banks, and shall not be subject to the laws and regulations that apply to government agencies and the public and semipublic sectors.

Chapter 3. Capital, Net Earnings, and Reserves

Article 6

1. The authorized capital of the Bank shall be YRls 2 billion. The minimum subscribed and paid-up capital of the Bank shall be YRls 1 billion, which may be increased by such amounts as may be proposed by the Bank and approved by the Council of Ministers.
2. The entire paid-up capital shall be subscribed and held solely by the Government of Yemen.

Article 7

Whenever on the balance sheet of the Bank the value of its assets falls below the sum of its liabilities, capital, and General Reserve, the Government shall replenish its capital. To this end, the Minister of Finance shall deliver to the Bank cash or marketable debt securities in bearer form, issued by the Government and bearing interest at market rates, in such amount or amounts as shall be necessary to remedy the deficit.

Article 8

1. The net income of the Bank for each financial year shall be calculated after deducting from revenues the operating expenditure for the year in question and after setting aside allocations for the following:

(a.) Bad and doubtful debts, depreciation of assets, and contributions to the staff retirement fund; and

(b) Any other required purposes, subject to the approval of the Board.

2. The Bank shall establish a General Reserve to which shall be allocated at the end of each financial year of the Bank an amount equivalent to 10 percent of the net income for that year until the amount in the General Reserve equals twice the amount of the paid-up capital of the Bank. This percentage may be increased by authorization of the Council of Ministers, upon the recommendation of the Board. The General Reserve may be used only to offset losses of the Bank. For the purpose of this article, losses shall mean the excess of operating expenditures over revenues.

3. The Bank, with the approval of the Council of Ministers, may establish special reserves for specific purposes into which funds may be transferred that are available after making the allocations described in paragraph 1 of this article.

4. The remaining amount of net income for the financial year shall be used by the Bank to redeem any securities issued by the Government to the Bank pursuant to Article 7 of this law.

5. The net income for the financial year remaining after the transfers and redemptions made pursuant to this article shall be paid to the Government within four months after the end of the financial year of the Bank. No transfer, redemption, or payment pursuant to this article shall be made if as a result thereof, the assets of the Bank would be less than the sum of its liabilities and paid-up capital.

6. Gains or losses arising for the Bank in any financial year from changes in the valuation, recorded on the balance sheet of the Bank, of assets or liabilities in or denominated in gold, special drawing rights, or foreign currencies and resulting from any change in the values or exchange rates of gold, special drawing rights, or foreign currencies in terms of the rial, shall be treated as follows:

(a.) The net amount resulting from changes in the valuation shall be reflected in an account named A Valuation Reserve Account on the balance sheet of the Bank.

(b) As long as the amount recorded in the Valuation Reserve Account corresponds to net foreign exchange losses, that amount shall be covered by debt securities bearing interest at market rates issued by the Government to the Bank and held by the Bank in an off balance sheet Valuation Reserve Securities Account. Within four months after each financial year, the aggregate principal amount of such securities held by the Bank shall be increased or decreased as required to restore the equivalency between that amount and the amount recorded in the Valuation Reserve Account as net foreign exchange losses as of the end of that financial year.

(c) Neither net gains or losses referred to in paragraph 4 of this article shall be included in the computation of annual net profits and losses of the Bank.

Chapter 4. Management

Article 9

The Bank shall have a Board of Directors, management consisting of a Governor and a Deputy Governor, and a staff.

Article 10

1. The Board of Directors shall be composed of five members, as follows:
 - (a) The Governor, who shall be Chairman of the Board of Directors;
 - (b) The Deputy Governor, who shall be the Vice-Chairman of the Board of Directors;
 - (c) A representative of the Ministry of Finance; and
 - (d) Two other members.
2. The Governor, Deputy Governor, and the other members of the Board of Directors shall be nominated by the Council of Ministers and their appointment shall be made effective by a presidential decree.
3. The Governor, Deputy Governor, and the other members of the Board of Directors must be citizens of Yemen and persons of recognized integrity with practical skills and professional experience in monetary and banking matters.
4. The term of the Governor and Deputy Governor shall be five years and that of all other Board members shall be five years, beginning on the date of their appointment. Board members shall be eligible for reappointment unless a grounds for removal should apply to them.

Article 11

1. No person shall be appointed to or continue to serve on the Board of Directors while he is a member of the Council of Ministers or the House of Representatives, or an employee of the Government, with the exception of the representative of the Ministry of Finance.
2. The Governor, Deputy Governor, or any other member of the Board of Directors shall be removed from office by the Council of Ministers by means of a presidential decree if he:
 - (a.) becomes ineligible to serve on the Board of Directors pursuant to paragraph 1 of this article;
 - (b) declares bankruptcy and is not rehabilitated, or becomes insolvent; or

(c) is disqualified or suspended by means of a legal order or fails significantly in the performance of his duties and responsibilities.

3. The Governor, Deputy Governor, or any other member of the Board of Directors may be removed from office by means of a presidential decree, subject to the approval of the Council of Ministers, based upon a justified recommendation by four members of the Board of Directors that:

(a) the person recommended for removal from office has been absent from two or more successive meetings of the Board of Directors of the Bank without good cause;

(b) the person recommended for removal from office is unable to perform the functions of such office because of an infirmity of body or mind; or

(c) the person recommended for removal from office has engaged in serious misconduct in the office, substantially prejudicing the interests of the Bank.

4. The Governor, Deputy Governor, or any other member of the Board of Directors may not be removed from office on any grounds other than those mentioned in this article.

5. The Governor or Deputy Governor may resign from office upon giving not less than three-month notice in writing to the Council of Ministers. Any other member of the Board of Directors may resign upon giving not less than one month's notice in writing to the Council of Ministers.

6. Any vacancy on the Board of Directors shall be filled by the appointment of a new member of the Board of Directors in accordance with Article 10 to serve the remaining period of the term of the Board member replaced.

Article 12

1. The Governor, or in his absence or inability to vote the Deputy Governor, shall chair the meetings of the Board of Directors.

2. The Board of Directors shall meet as often as the business of the Bank may require but not less frequently than once each calendar month.

3. Meetings of the Board of Directors shall be convened by the Chairman or at the written request of any two members of the Board of Directors.

4. The meetings of the Board of Directors shall be convened by effectively communicating the [time], venue, and agenda of the meeting to all members of the Board of Directors at least 10 [working] days before the date set for the meeting, except that in the event of an emergency, meetings of the Board of Directors may be convened at shorter notice.

5. A quorum at any meeting of the Board of Directors shall consist of the presence of at least three members of the Board of Directors, including the Governor or Deputy Governor. Each member of the Board of Directors shall have one vote.

6. Except as otherwise provided by this law, decisions of the Board of Directors shall be adopted by a simple majority of the votes cast by the members present at the meeting. In the event of a tie, the Chairman shall have the deciding vote. Only members who are present in person shall have the right to vote. However, in exceptional circumstances, meetings of the Board may be held by means of fax, telex, or teleconferencing.

7. Subject to the quorum requirement of paragraph 5 above, no decision of the Board of Directors shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Board.

8. All acts carried out by a person acting in good faith as Chairman or other member of the Board of Directors shall be considered valid. If any irregularities in his appointment, eligibility, or qualifications are discovered, he shall be legally accountable for such irregularities.

9. The Minister of Finance shall have the right to attend meetings of the Board of Directors of the Bank, but he shall not be entitled to vote.

10. The minutes of the meetings and deliberations of the Board of Directors shall be confidential; however, the Board may decide to make the outcome of all or part of its deliberations public.

11. The minutes of each Board of Directors meeting shall be signed by the person chairing the meeting, either the Governor or the Deputy Governor, and by the secretary of the Board of Directors.

12. The Secretary of the Board of Directors shall be appointed by the Chairman from among the senior staff of the Bank; he shall not be a member of the Board of Directors.

13. Decisions of the Board of Directors shall be issued over the signature of the Governor, or in his absence, by the chairman presiding at the meeting.

Article 13. Authority of the Board of Directors

The Board of Directors shall exercise the authority vested in it by this law and any other law. Without prejudice to the general nature of this authority, the Board shall have the following particular duties and responsibilities:

1. The overall direction and supervision of the policies, administration, and operations of the Bank.
2. Periodic assessment of the monetary and economic situation in Yemen. To that end, the management of the Bank shall report, not less than once every month, to the Board of Directors on the administration and operations of the Bank, on the conduct of its monetary and regulatory policies. The reports shall include assessments of price stability, the soundness of the financial system including in particular the banking system of Yemen, and on the condition of the money, capital, and foreign exchange markets, including all events and conditions that have or are expected to have a

significant effect on the administration or operations of the Bank or on the conduct of its policies, or on the financial system or the aforementioned markets.

3. Determining the monetary policy of Yemen, including the limits of open-market operations by the Bank, interest rates for deposits at the Bank and for discounts and loans by the Bank, and the reserves and levels of reserves that banks are required to maintain with the Bank. The Board may delegate to the Governor the power to determine the interest rates for deposits at the Bank as well as the rates for discounts and loans by the Bank.
4. Determining the exchange rate policy and procedures for determining the exchange rates of the domestic currency against other currencies
5. Approving all regulations, guidelines, and instructions that are to be issued by the Bank.
6. Approving all reports and recommendations that the Bank is to submit to the Government or the House of Representatives.
7. Determining the face value and design of banknotes and coins, as well as the terms of any currency recall.
8. Approving each of the Bank's loans to the Government.
9. Approving the discounting of instruments having a maturity of more than three months from the date of their acquisition by the Bank pursuant to Article 38 of this law, and approving each of the Banks loans to, or contingent commitments for the benefit of, a bank pursuant to Article 32 of this law.
10. Approving the by-laws of the Bank.
11. Determining the organization of the Bank, its salary structure for employees, and conditions of employment, as well as assuming general responsibility for personnel matters at the Bank and the powers delegated to the Prime Minister with respect to government employees.
12. Establishing a list of senior bank staff who are legally eligible for promotion to the rank of assistant subgovernor or higher, upon the basis of which a presidential decree will be issued.
13. Establishing and closing subsidiaries, branch offices, and agencies of the Bank.
14. Approving the Bank's estimated budget.
15. Proposing increases in the authorized capital of the Bank, establishing special reserves, and determining the net income of the Bank.
16. Approving the annual reports and financial statements of the Bank.
17. Determining the debt securities that are suitable for investment of the Banks financial resources and issuing the corresponding financial documents.

Article 14

The Board shall exercise the authority described in Articles 3 and 13 above and may also empower the Governor to exercise part of its authority.

Article 15. Authority of the Governor:

1. With due regard for the provisions of this law, the management of the Central Bank and its business shall be the authority of the Governor, who shall adhere to the policy established by the Board in exercising this authority.
2. The Governor may exercise all authority, jurisdiction, and responsibilities of the Central Bank other than those specially assigned to the Board, and shall be entitled to spend funds within the limits of the budget approved by the Board.
3. The Governor shall be the official representative of the Bank and, in this capacity, shall have the following authority:
 - (a) To represent the Bank in its relations with other institutions, including the Government.
 - (b) To represent the Bank in person or through an advocate or legal counsel in any legal proceedings to which the Bank is a party.
 - (c) To sign severally or jointly with others the agreements concluded by the Bank, the banknotes and financial instruments issued by the Bank, the reports, balance sheets, and other financial statements, and the correspondence and other documents emanating from the Central Bank, in accordance with banking regulations and the decisions of the board.
 - (d) To grant any of the authorities referred to in paragraph 3 of this article to any member of the Board of Directors, or to any senior executive of the Bank.
4. To establish permanent advisory committees on financial, organizational, staff, purchasing, sales, and credit matters, without restriction, at the head office and the branches, and to determine the composition and duties of such committees.
5. To issue a list of the names of those authorized to sign on behalf of the Bank and to appoint correspondent agents in Yemen and abroad.
6. To implement or clarify the decisions of the Board of Directors and to provide, at the suggestion of the competent authority, the necessary information to explain the rules and regulations issued by the Board.
7. To nominate staff for positions at the level of deputy general manager and higher and appoint staff at lower levels, in accordance with the rules determined by the Board.

Article 16. Authority of the Deputy Governor:

1. The Deputy Governor shall have full authority to perform the duties of the Governor in the event of his absence.

2. The performance of any other duties that the Governor may, from time to time, delegate to him.
3. In the absence of the Governor or pursuant to his express direction, the exercise by the Deputy Governor of any of the Governor's authorities shall be considered legal pursuant to this law.

Article 17

The Governor, Deputy Governor, and the subgovernors shall devote their entire working time to the service of the Bank and may not occupy any professional or commercial position while holding office. However, nothing in this paragraph prevents them from being:

1. Members or alternate members of any committee or agency appointed by the Government to investigate any matter related to the currency or to banking, financial, or economic issues.
2. Governors, Deputy Governors, or members of the boards of directors of any international bank or Arab, regional, or international financial institution to which the Government may belong or which it may support or recognize.

Article 18

The Bank shall pay the Governor, the Deputy Governor, and the other members of the Board the salaries and bonuses determined from time to time by the Prime Minister. No bank employee may receive any salary or financial supplement to his salary from any source other than the Bank.

Article 19

1. No member of the Board in the exercise of his functions shall be considered as representing any commercial, financial, agricultural, industrial, or other interests, whether directly or indirectly, nor shall he receive directions from such interests with respect to the duties entrusted to him pursuant to this law.
2. Members shall apprise the Board fully of any commercial, financial, agricultural, or industrial interests with which they are directly or indirectly connected, and they shall abstain from voting on any issue related to those interests during the Board's deliberations; such interests, however, once disclosed to the Board, shall not prevent the member in question from making up a statutory quorum of the Board.

Article 20

No salary, bonus, wage, or allowance paid to the Board or employees of the Bank shall be calculated on the basis of the Bank's net or other earnings.

Article 21

No member of the Board or officer of the bank may divulge any information related to the Central Bank obtained in the performance of his duties, except in the exercise of the authority

and the pursuit of the responsibilities entrusted to him, or when legally required to do so by any court, or in accordance with any law.

Chapter 5 - Currency

Article 22

The rial shall be considered the only currency in Yemen; it shall consist of 100 equal parts, each called a fils.

Article 23

The Bank shall determine the foreign exchange rate regime of Yemen in consultation with the Government, and shall formulate and execute the exchange rate policy for Yemen.

Article 24

The Bank alone shall be entitled to issue banknotes and mint coins in Yemen; the banknotes and coins issued by the Bank shall be legal tender in Yemen.

Article 25

1. The banknotes and coins issued by the Bank shall be denominated in rials, or in parts of a rial, in accordance with Article 22 of this law. They shall be made using the materials, shapes, designs, patterns, and distinctive marks decided on by the Board and approved by the Council of Ministers.
2. The Bank alone shall be entitled to issue special or commemorative coins in accordance with a decree of the Council of Ministers, based upon the Board's recommendation.

Article 26

1. With due regard for the provisions of this article, banknote issued by the Bank, provided that it has no defect, imperfection, or deliberate disfigurement, shall be considered legal tender in accordance with its nominal value for purposes of paying:
 - (a) Any amount in a denomination of one rial or more;
 - (b) Amounts in denominations of less than one rial, whether paper or coins, as determined from time to time by the Bank.
2. For purposes of replacement, the Bank may withdraw from circulation any denomination of currency that it has issued and reimburse its nominal value by legal tender, by means of an announcement published in the Official Gazette and other communication media, provided that:
 - (a) An appropriate time, not exceeding two years, is scheduled for the replacement.

(b) The denomination to be withdrawn is no longer considered legal tender as at the end of the period specified by the Bank for the replacement.

Article 27

1. The Bank shall pay the value of banknotes and coins damaged by normal wear and tear, but may refuse to do so if the damage is caused by tampering.
2. For purposes of this law, tampering in relation to coinage means the reduction of its size or weight (exclusive of normal wear and tear), disfigurement by inscribing, impressing, or perforation, even when this does not result in a reduction in its weight or size.

Article 28

The Bank shall take the necessary steps to melt or destroy any coin that has been withdrawn from circulation or tampered with; it may destroy or burn any banknotes that have been withdrawn from circulation or deliberately disfigured, or that the Bank considers unfit for use.

Article 29

Any contract, sale, payment, draft, deed, or monetary guarantee document, and any transaction, deal, or any other matter having a connection with money or entailing payment in money or an obligation to pay in money shall be established and executed on the basis of Yemeni currency, unless expressly stipulated otherwise.

Chapter 6. Relations with the Government and Other Institutions

Article 30

1. The Bank shall be the bank of the Government as well as its financial agent and adviser.
2. The Bank may serve as the bank and the financial agent of any public institution, in accordance with the arrangements agreed upon in this regard with the institution concerned.

Article 31

1. The Bank may, in its capacity as the bank and financial agent of the Government or of any public institution:
 - (a) Be the depositary of the Government and of the institution concerned, receive deposits, and perform payment transactions on behalf of the Government and the public institution.
 - (b) Following consultation with the Government and the institution concerned, designate another bank to act on its behalf in the above-mentioned activities in

locations where there is no office or branch of the Central Bank or where the Bank deems that such arrangements would be more suitable.

(c) Open and manage special official accounts, in accordance with the arrangements agreed upon by the Bank and the Government or the institution concerned.

(d.) Exercise, on behalf of the Government, responsibilities related to the public debt, including the issuance of bonds, the payment of interest on them, and the recovery of the value of loan securities and other government securities.

(e.) Buy, sell, transfer, or take into safekeeping checks, drafts, or other instruments.

(f.) Collect any returns in the form of assets or the interest on them resulting from the sale of securities or other possessions of the Government or public institutions and payable to them.

(g.) Buy, sell, transfer, or receive for deposit gold and foreign exchange.

(h) Collect the returns on petroleum and any other natural resources.

(i) Supervise and regulate the subscription of government investment shares; manage the shares and distribute profits at the end of the year.

2. The Bank may, on such terms and conditions as it shall agree with the Minister of Finance, charge for its services as bank or financial agent of the Government.

3. The Bank may, on such terms and conditions as it may agree with the Minister of Finance, pay interest on the credit balances in the government accounts; it may pay interest from net earnings on the credit balances of public institution deposits, the rate of which shall be established from time to time by a decision of the Board of Directors.

4. The Bank may, at any time and for whatever period it deems necessary in order to maintain monetary stability, act as the bank of public institutions and order that their account be kept with the Bank. It may accept deposits from them and offer them banking facilities to carry out their operations, provided that such facilities are not transferred directly or indirectly to the government. The Bank shall cease acting as the bank of these institutions within the prescribed deadline, unless it has been extended.

Article 32

1. The Bank shall not grant any loans or financial assistance to the Government or any of its agencies.

2. In exceptional circumstances, the Bank may grant temporary financing to the Government in the form of emergency loans, but only if such loans would not be inconsistent with the monetary policy objectives of the Bank and would not cause the aggregate principal amount disbursed and outstanding on all Bank emergency loans to the Government to exceed the equivalent of 25 percent of the annual average of the

budget's ordinary revenue for the three financial years immediately preceding for which accounts are available. The maturities of such loans shall not exceed six months. Public debt existing at the time this law is issued shall be exempted from this limit and shall be handled through an agreement between the Bank and the Ministry of Finance.

3. The Bank may grant the Government special loans with longer maturities for membership fees and similar payments resulting from or incidental to the Republic of Yemen's membership in international organizations.

4. Bank emergency loans granted to the Government and actually used shall be denominated and made payable in rials only. For each emergency loan there must be a written emergency loan agreement executed between the Government, represented by its Minister of Finance, and the Bank. The agreement shall clearly state the principal amount of the emergency loan, its maturity, and the applicable rates of interest and other charges.

5. For the purposes of this article, ordinary government revenues shall not include loans, grants, and other forms of financial assistance.

6. If the Bank believes that there are risks involved in any aspect of the monetary policy or that the limit stipulated in paragraph 2 above is in danger of being exceeded, the Bank shall submit a report on these risks to the Council of Ministers and the Cabinet, together with such recommendations as it may deem appropriate to forestall or otherwise remedy the situation, and avoid its recurrence in the future.

Article 33

Purchases by the Bank on its own behalf of debt securities issued by the Government shall be treated as Bank loans to the Government and therefore shall be subject to the overall limits specified by Article 32 of this law, except if and to the extent that such purchases are consistent with the monetary policy objectives of the Bank of maintaining price stability or are required for investing assets of the Staff Retirement Fund of the Bank, and then only if such purchases are made in the secondary market.

Article 34

For the purposes of Article 32 of this law, the general revenue of the Government comprises alms-tax, sovereign and services revenue, revenue on State property, capital revenue, and any other forms of government revenue.

Article 35

Except as provided for by Articles 32 and 33 of this law, the Bank shall supply no direct or indirect advances to the Government.

Article 36

1. The Bank shall advise the Government on any matter related to its jurisdiction, authority, or duties in accordance with this law or any other law; it shall also have the

duty of advising the Government whenever it considers that any question related to those matters is likely to affect the Bank's attainment of its main objectives and tasks as referred to in Article 5 of this law.

2. The Government may ask the Bank for its advice on any question related to its jurisdiction or authority, Yemen's financial or credit position, or any proposals, measures or procedures related to them, and the Bank shall provide its advice accordingly.

Chapter 7 - Relations with Banks and Financial Institutions

Article 37

1. No person may conduct banking business, including exchange activities, unless licensed by the Bank.
2. The Bank shall act as a banker's bank; it may open accounts for banks, take deposits from them, and collect cash and other monetary claims payable to and by them.
3. The Bank shall exercise its authority over commercial banks to ensure that they are properly managed and that they meet their obligations to their depositors and other creditors.
4. With due regard for the provisions of this law, the Bank may provide additional services for banks, including clearance, and supply them with facilities for holding deposits.

Article 38

The Bank may:

1. Buy, sell, discount, or rediscount drafts or promissory notes drawn or issued for commercial, industrial, or agricultural purposes, provided they bear 2 or more authorized signatures, 1 of them from the bank concerned, and that they mature within 3 months from the date of their acquisition by the Bank. Nevertheless, drafts or promissory notes drawn or issued for the purpose of financing seasonal agricultural activities or of marketing crops may mature within 9 months of their acquisition by the Bank, and the Bank may, if it deems necessary, extend the maturities referred to above from 3 to 6 months, and from 9 to 12 months.
2. Grant, for periods not to exceed six months, advances to banks by way of loans and overdrafts covered by the following:
 - (a) The credit instruments referred to in paragraph 1 of this article.
 - (b) A certificate of deposit or any other document proving absolute ownership with respect to basic commodities or other completely and properly insured goods, provided that the Bank from time to time determines the maximum

percentage of advances with respect to the current price of such goods and commodities.

(c) Treasury bills or other bonds issued or guaranteed by a foreign government.

(d) Bonds issued or guaranteed by the Government.

Article 39

1. With due regard for the provisions of Article 38 of this law, the Bank may determine the general terms and conditions for the provision of credit facilities to banks. The Bank shall, in particular, determine and publish the discount rates required on rediscount instruments pursuant to Article 38 of this law.

2. Without prejudice to the provisions of the Islamic Banking Law and the methods used by Islamic banks, the Bank may determine different terms and conditions, including discount rates, establish different limits for various kinds of transactions, and determine their maturities.

Article 41

The Central Bank may provide financial facilities to Islamic banks when they are in need of liquidity by depositing funds for investment with due dates of not more than six months and not less than one month, from which the banks obtain earnings at the end of the year. Such facilities must be covered by guarantees that are permitted by Islamic banks.

1. With due regard for the provisions of this article, the Bank may from time to time ask banks to maintain a minimum of reserves against deposits and other similar liabilities determined by the Bank to this end. These reserves shall take the form of demand deposits in a current account with the Central Bank and banknotes and coins held by banks in the ratios determined by the Bank.

2. The Bank may determine different ratios for different kinds of liabilities and the methodology for calculating the amount of reserves. The ratios and methodology shall apply uniformly to all banks. The Bank may, if it deems necessary, establish a marginal reserve ratio of up to 100 percent of any increase in any type of deposits or other liabilities, effective on the date it determines. Investments of the reserves of Islamic banks must be made in accordance with their by-laws and standard practices and with the approval of the Shariah Council established by the Central Bank.

3. The Bank shall notify the banks in writing of at least 30 days before implementing the requirements of this Article or increasing the ratios established in accordance with its provisions.

4. The Central Bank may impose on any bank that fails to maintain the balances required pursuant to this Article a charge not exceeding 5 percent of the shortfall for each day that the shortage persists; this charge may be deducted from any balance or amounts due to the bank in question or it may be recovered as a civil debt.

Article 42

1. The Bank may, when it deems necessary in exceptional circumstances, determine the maximum and minimum limits of the interest rate for the net earnings paid by the banks and financial institutions concerned on any type of deposits they receive in Yemen, in accordance with other arrangements; the banks and financial institutions concerned shall adhere to those limits.

2. Decrees issued pursuant to this article may apply to all banks *and* financial institutions concerned, or to all banks *or* all financial institutions concerned, or to any specific type of the financial institutions concerned; they shall apply uniformly to all concerned banks and financial institutions that carry out the transactions specified in the decisions. These decrees and the dates that they enter into force shall be published in the Official Gazette and in at least one newspaper published in the capital, Sana'a, where the headquarters of the Bank is located.

Article 43

1. The Bank may, when it deems necessary in exceptional circumstances, issue orders specifying the volume and terms and conditions of the credit facilities provided by banks in Yemen; banks shall comply with these orders.

2. The orders issued in accordance with this article shall not require banks to take any steps to reduce existing credit facilities before their maturity; they shall apply uniformly to all banks providing credit facilities. The orders and the dates that they enter into force shall be published in the Official Gazette and in at least one newspaper published in the capital, Sana'a, where the headquarters of the Bank is located.

Article 44

1. The Bank may, when it deems necessary in exceptional circumstances, issue orders specifying the volume and terms and conditions of credit facilities, including installment facilities, provided by the financial institutions concerned in Yemen in the form of loans, advances, or investments; those institutions shall comply with the orders.

2. The orders issued in accordance with this Article shall not require the financial institutions concerned to take any steps to reduce existing credit facilities before their maturity. They shall apply uniformly to all institutions providing the credit facilities specified in the orders. The orders and the dates that they enter into force shall be published in the Official Gazette and in at least one newspaper published in the capital, Sana'a, where the headquarters of the Bank is located.

Article 45

1. Any bank or specified financial institution shall provide the Central Bank, at the time and in the manner the Bank determines, with any information or statements it requires in the pursuit of its functions and the exercise of its authority.

2. The Bank may publish, completely or in part, and at the times it determines, the information provided pursuant to paragraph 1 of this article. It shall not, however, publish any information revealing the financial situation of any client of any bank or specified financial institution, unless it receives prior approval in writing.

3. The Bank shall be responsible for the compilation of the country's balance of payments and international investment position statistics. In this regard, it shall be mandatory on the part of public authorities, financial institutions, and other legal entities to supply any information and materials to the Bank as it may require from time to time and in the manner it prescribes, in order to allow the Bank to carry out this responsibility. The information and material submitted to the Bank shall be considered strictly confidential and shall be used only for statistical purposes. Noncompliance with the Bank's request and reporting false information shall constitute a legal offense punishable by a court of law.

Article 46

1. In the event that any bank fails to comply with any of the requirements of Articles 41, 42, or 43 of this law, or that any specified financial institution fails to comply with any of the requirements of Articles 42 and 44 of this law, the bank or institution in violation shall be subject to a fine not exceeding 5 percent of the amount of the violation for each day that the violation persists.

2. In the event that any bank or financial institutions fails to comply with the requirements of paragraph 1 of Article 45 of this law, the bank or institution in violation shall be subject to a fine of not less than YRls 20,000 and not more than YRls 40,000 for each day that the violation persists. Institutions subject to such fines may take legal action to contest them.

Chapter 8 - Foreign Reserves and Foreign Exchange Transactions

Article 47

1. The foreign exchange rate regime of Yemen shall be determined by the Bank in consultation with the Government, and shall be consistent with the obligations of any international treaty to which the Government is a party or to which it has adhered. The Bank may declare an external value for the rial and any subsequent change in said value. If the Bank elects not to declare an external value for the rial, the exchange rates for the rial against other currencies shall be determined by the market.

2. The exchange rate policy of Yemen shall be formulated and executed by the Bank.

3. The Bank shall not impose restrictions on the purchase, sale, holding, or transfer of foreign exchange except in the following cases:

(a) The Bank shall be entitled to restrict temporarily the purchase, sale, holding, or transfer of foreign exchange if, in the opinion of the Bank, the imposition of such restrictions is warranted to protect the level of the official reserves.

(b) Any restrictions under paragraph 3(a) above may be introduced only for a period not exceeding 12 months, and may be extended for another period of 12 months only with the unanimous approval of the members of the Board.

(c) Whenever the Bank exercises its powers under paragraph 3(a) above, it shall submit a report to the Council of Ministers and the House of Representatives within seven days, and every three months thereafter, describing the causes which have led to the introduction of such exchange restrictions together with such recommendations as it considers necessary to remedy the situation.

(d) The restrictions introduced under this article shall be consistent with the obligations required by Yemen under any international agreement of which it is a party or to which it has adhered.

Article 48

The Bank shall be responsible for:

1. Issuing rules and regulations governing foreign exchange market operations.
2. Licensing, revoking the licenses of, supervising, and regulating foreign exchange dealers, including banks, pursuant to exchange regulations issued by the Bank.
3. Setting limits on foreign exchange positions of foreign exchange dealers, including banks.
4. Owning, maintaining, and managing its official foreign reserves in accordance with the provisions in Article 50 of this law.

Article 49

The Bank may enter into clearing agreements with public and private central clearing institutions domiciled abroad.

Article 50

1. The Bank shall establish and maintain its official foreign reserves, which shall consist of all or any of the following assets:
 - a. Gold;
 - b. Foreign exchange in the form of notes and coins or bank balances held abroad in foreign currencies;
 - c. Any other internationally recognized reserve asset, including the entitlement to make reserve tranche purchases from the International Monetary Fund and the Government's SDR holdings;
 - d. Bills of exchange and promissory notes, payable in foreign currencies; and
 - e. Debt securities issued or guaranteed by foreign states, central banks, or international financial organizations denominated in foreign currencies and to be paid in the same currencies.

2. The Bank shall endeavor to maintain its international reserve at a level which, in the Bank's opinion, shall be adequate for the execution of the monetary and exchange rate policies of Yemen and for the prompt settlement of the country's international transactions.

3. If said international reserve has declined or, in the opinion of the Bank, is in danger of declining to such an extent as to jeopardize the execution of the monetary or exchange rate policies of Yemen or the prompt settlement of the country's international transactions, the Bank shall submit to the Council of Ministers a report on its official foreign reserve position and the causes which have led or may lead to such a decline, together with such recommendations as it considers necessary to remedy the situation.

4. Until such time as, in its opinion, the situation described in paragraph 3 has been rectified, the Bank shall make further such reports and recommendations as it shall deem advisable.

Article 51

The Bank shall be the financial agent for all dealings with the International Monetary Fund, the International Bank for Reconstruction and Development, international financial institutions, Arab and regional institutions, and other international financial institutions and organizations. It shall also be the depositary for the Yemeni currency allocations of these organizations.

Article 52

The Bank may open accounts, receive deposits, and collect cash and other financial claims to the credit of, or on behalf of the organizations referred to in Article 51 of this law, foreign banks, and other financial organizations. It may also, in general, act as the bank for these banks and organizations.

Article 53

The Government shall not hold any reserves of foreign assets.

Chapter 9 - Authority and Other Operations of the Central Bank

Article 54

Any loans or investments contracted by the Government or any public institutions, agencies, or corporations and guaranteed by the Bank shall be considered emergency loans, as described in Article 33 of this law.

Article 55

1. The Bank shall be prohibited from:

- a. Engaging in commerce or having any direct interest in any commercial, agricultural, industrial, or similar project, unless it is expressly authorized to do so by the provisions of this law, or in order to obtain payment of any debt owed to it.
 - b. Selling, owning, or leasing any real estate, except as buildings of the Bank [sic].
2. Should the Bank have any interest falling under the prohibitions of paragraph 1 of this article, it shall dispose of such interest at the earliest possible opportunity.

Chapter 10 - Accounts

Article 56

1. The Bank's financial year shall conform to that of the Government and the Bank's accounts shall be closed at the end of each financial year.
2. The Bank shall keep complete, accurate accounts and registers of all its operations at its headquarters and branches, as well as consolidated accounting books and registers at its headquarters, all of which shall be available at all times for inspection by the members of the Board.
3. The Bank's accounts shall be audited annually by one or more external auditors appointed by the Prime Minister, who shall also determine their fees. The auditor or auditors shall be chosen from a list of candidates submitted to the Council of Ministers.
4. Without prejudice to the provisions of paragraph 3 of this article, the Prime Minister may at any time ask the auditor of the government accounts, or another auditor appointed by him, to inspect the Bank's accounts and present him with a report on them. The Bank shall provide all necessary facilities for said inspection.

Article 57

1. The Bank shall, within three months after the close of each of its financial years, submit to the Council of Ministers and the House of Representatives:
 - a. A copy of its financial statements certified by its auditors.
 - b. A report on the state of the economy and a report on its operations and activities during that year.
2. The Bank shall, as soon as possible after the last working day of each month but in any event within 15 working days, prepare and submit to the Council of Ministers a pro forma financial statement as of the end of that month.
3. Upon their submission, the Bank shall publish the financial statements and reports referred to in paragraphs 1 and 2 above. It may also publish such other reports and studies on financial and economic issues as it may deem appropriate.

4. Within six months after this law shall enter into force, and semiannually thereafter, the Bank shall deliver to the Council of Ministers and the House of Representatives and shall publish a policy statement containing the following:

- a. A description and explanation of the monetary policies to be followed by the Bank during the next six-month period.
- b. A description of the principles that the Bank proposes to follow in defining and executing monetary policy during the next two years, or such longer period of time as the Bank may decide.
- c. A review and assessment of the monetary policy and its implementation by the Bank over the past six months. The Bank shall conduct this assessment and publish it every six months.

Chapter 11 - Final Provisions

Article 58

The Bank shall be exempted from income tax.

Article 59

The Corporation Law and the Banking Law shall not apply to the Central Bank. The Central Bank may be liquidated only in accordance with a law and in the manner specified by such law.

Article 60

No Bank that includes in its name the words Central, Government, Reserve, State, Yemen, or The Republic of Yemen, may operate in Yemen, except with the written permission of the Minister.

Article 61

The implementing regulations for this law shall be issued by the Bank and shall be published in the Official Gazette 2000.

Lt. Gen. Ali Abdullah Saleh
President of Yemen