

(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 bills.

(h) Buying and selling government notes and securities.

i. Exchange The purchase and sale of foreign currency.

j. Currency The currency of the Republic of Yemen, comprising banknotes and coins.

k. Foreign exchange Foreign currencies, promissory notes and bills, drafts, coupons, and bonds.

provisions of the Law on Public Institutions, Agencies, and Corporations.

- m. Financial institution Any legal entity engaging in banking activities or any nonbank credit institution.

~~It shall have jurisdiction pursuant to the Judicial~~

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

~~financial support from any other authority in accordance with the~~

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~~

Capital, Net Earnings, and Reserves

Article 6. 1. The authorized capital of the Bank shall be YRls 2 billion. The minimum

no capital. To this end, the minimum amount of 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.

At the Bank for each financial year shall be calculated after

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.

- b. The Bank, with the approval of the Council of Ministers, may establish

special reserves for specific purposes into which funds may be transferred

3. 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.
4. 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

- 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

**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 shall be Chairman of the Board of Directors.
[REDACTED]

b. [REDACTED]

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.

[REDACTED]

[REDACTED]

3. The Governor, Deputy Governor, and the other members of the Board of Directors shall be citizens of Yemen and possess of recognized integrity with

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

mentioned in this article.

5. The Governor or Deputy Governor may resign from office

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 affirmative

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

Only members who are present in person shall have the right to vote. 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

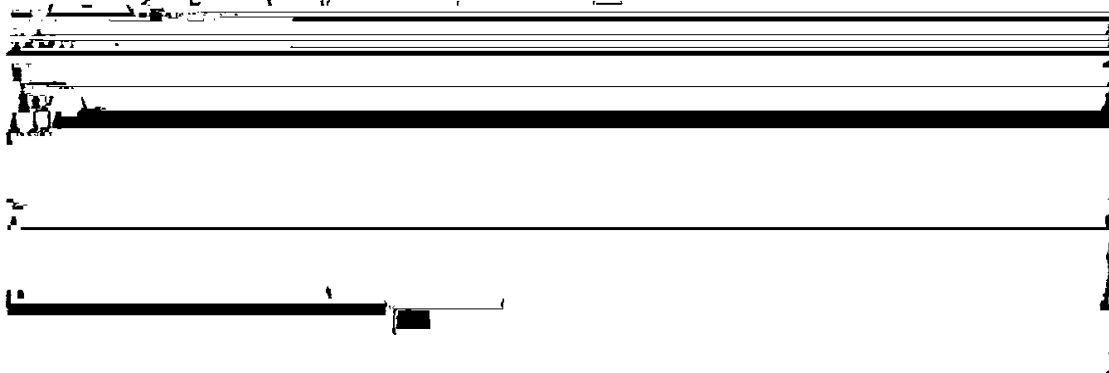
be confidential; however, the Board may decide to make the outcome or all or part of its deliberations public.

11. The minutes of each Board of Directors meeting shall be signed by the person

Authority of the Board of Directors

Article 13 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.



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 Bank=s loans to, or contingent commitments for the benefit of, a bank pursuant to Article 32 of this law.

11. Determining the organization of the Bank, its salary structure for employees, and conditions of employment, as well as assuming general responsibility for

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 Bank=s financial resources and issuing the corresponding financial documents.

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.

To represent the Bank in person or through an advocate or legal counsel in

reports, balance sheets and other financial statements, and

at the suggestion of the competent authority, the necessary
explain the rules and regulations issued by the Board.

for the purpose of the Bank's general manager and

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

[REDACTED]

18. 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

[REDACTED]

interests, whether directly or indirectly, nor shall he receive direction from such

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 course of his official duties

[REDACTED]

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~~

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:

~~the amount of time not exceeding two months shall be~~

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 is defined as:

[REDACTED]

Article 29 Any contract, sale, payment, draft, deed, or monetary guarantee document, and any transaction, deal, or any other matter having a connection with:

[REDACTED]

of any public institution:

- a. Be the depository 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

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

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

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

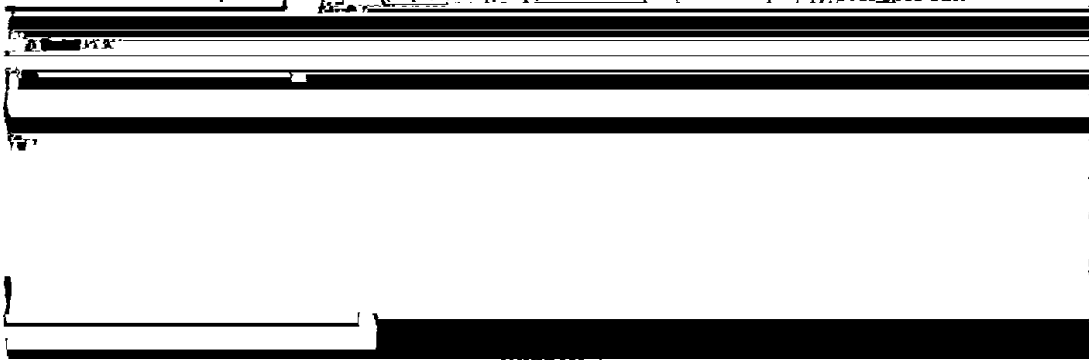
denominated and made payable in rials only. For each emergency loan there must be a written emergency loan agreement executed between the

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



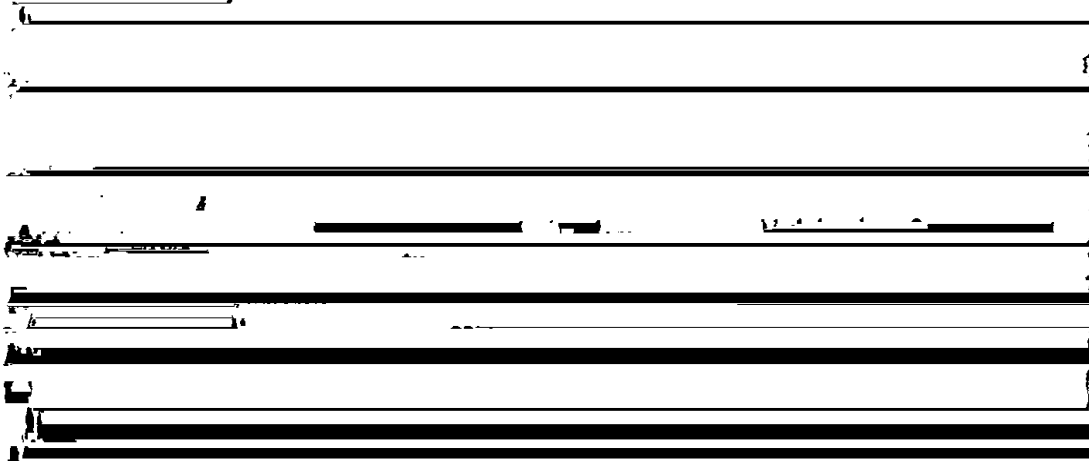
Relations with Banks and Financial Institutions

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



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

_____ that the shortage persists; this charge may be deducted

_____ 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

_____ 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

The orders issued in accordance with this Article shall not require the financial

information provided pursuant to paragraph 1 of this article. It shall not

however, publish any information regarding the financial situation of any client

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.

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 YRIs 20,000 and not more than YRIs 40,000 for each day that the violation persists. Institutions subject to such fines may take legal action to contest them.

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

[REDACTED]

[REDACTED]

3. The Bank shall not impose restrictions on the purchase, sale, holding, or

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

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

- 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;

... 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

4. UNTIL such time as, in its opinion, the situation described in paragraph 3 has been

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.

[REDACTED]

... 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 Director General.

[REDACTED]

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

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

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.

Article 60 No Bank that includes in its name the words Acentral,≡ Agovernment,≡ Areserve,≡ Astate,≡ AYemen,≡ or AThe 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. Implementation orders shall also be issued.

Article 62 The provisions of Law No. 21 of 1991 on the Central Bank of Yemen and all legal texts conflicting with the provisions of this law are hereby revoked.

~~Article 63 This law shall enter into force from the date on which it is published in the Official Gazette.~~

published in the Official Gazette.

Issued by the Office of the President
in Sana'a on / / 2000

Lt. Gen. Ali Abdullah Saleh
President of Yemen