

## Law 21 of 1996 on Islamic Banks

The Law consists of 28 articles, and the Central Bank of Yemen (CBY) is in charge of monitoring the banks which are licensed in accordance with the Law; the Law has been issued and enforced since 29 July 1996.

Article 3:

b) The banks shall have a legal entity and shall be subject, in addition of the provisions of the Law, to the provisions of the CBY Law, the Banks Law, and the Companies Law, with no contravention to the Islamic (*SHAREA'A*);

c) Banks may establish branches, subsidiaries, and agencies in the Republic of Yemen and abroad in accordance with the enforced laws and the approval of the CBY;

d) The licensed banks operating according to usual formulas which would like to acquire a license to operate in accordance with the formulas applied by Islamic banks, shall have to modify their rudimentary regulations to allow them operate according to the formulas employed by Islamic banks as a part of their activities.

### ***Objectives and mandates:***

Article 4: Islamic banks aim at achieving the following objectives:

- a) Expand the extent of work with the banking sector through providing the banking services, while taking into account the introduction of services aiming at increasing organized social solidarity on the basis of shared benefits;

- a- Carry out all financing and investment operations in various and activities through financing by participation, speculation, etc
- b- Issue contracts and agreements with individuals, institutions, agencies inside and outside Yemen;
- c- Establish companies in various aspects which are complementary to the work of the Islamic banks, and contribute to the existing companies;
- d- Contribute in the capital of any bank, inside or outside Yemen, which operates;
- e- Possess fixed and movable assets in order for the investment projects to be carried out;
- f- Carry out all banking services and works.

### ***Capital***

#### Article 6:

- a- The authorized capital shall be, at least, equal to one billion Yemeni Rials;
- b- The paid-in capital shall be equal to half the authorized capital;
- c- The basic system shall define the way for the bank's capital to increase;
- d- Non-Yemenis may contribute in the capital of an Islamic bank established in accordance with the Law, provided the contribution shall not exceed 20 percent of the authorized capital of the bank.

Article 7: Banks which are established in accordance with the Law shall maintain a legal reserve account not less than 10 percent of the net profits of the bank, which can be distributed until the reserve capital is equal to the paid-in capital.

Article 8: Islamic banks operate in accordance with the recognized banking laws and norms;

Article 10: The CBY shall establish a unit in order to monitor the banks licensed in accordance with the Law.

#### Article 11:

- a- Islamic banks shall abide by the financing limits accorded to any legal or natural person as for the single person in accordance with the Law;

