
Translation

In the Name of God, the Merciful, the Compassionate

[Official Emblem of the Republic of Yemen]

**The Republic of Yemen
Ministry of Legal Affairs¹**

Law No. 21 of 2008 on the Bank Deposit Insurance Corporation

**[Square imprint stamp]:² Ministry of Legal Affairs
An identical copy; illegible signature**

In the name of the people,

We, the President of the Republic,
Having examined the Constitution of the Republic of Yemen, and
secured the consent of the House of Representatives,
have promulgated the law whose text follows:

Chapter One
Designation, Definitions and Applicability of the Law

Article 1:

This law shall be called the “Bank Deposit Insurance Corporation Law.”

Article 2:

Unless the context requires otherwise, the following words and expressions, wherever mentioned in the text of this law, shall have the meanings indicated herein below for each of them:

¹ Translator’s Note: Each one of the 12 pages of the Arabic text of this law is printed on official stationery.

² Translator’s Note: This square imprint stamp appears on each page of the Arabic text. In addition, there is a round imprint stamp that also appears on each page. On some pages it is legible, on others it is not. The round imprint stamp is that of the Ministry of Legal Affairs, the Republic of Yemen.

1. The Republic: the Republic of Yemen.
2. The Government: the Government of the Republic of Yemen.
3. The Minister: the Minister of Finance
4. The Governor: the Governor of the Central Bank of Yemen
5. The Central Bank: the Central Bank of Yemen.
6. The Corporation: the Bank Deposit Insurance Corporation that is being established pursuant to the provisions of this law.
7. The Board: the Board of Directors of the Corporation
8. The Chairman: the Chairman of the Board
9. The General Manager: the General Manager of the Corporation
10. A bank: any legal entity, *licensed by the Central Bank* that is primarily engaged in banking activities in the Republic. This includes commercial banks (including Islamic banks), specialized banks, or any branch of any foreign establishment engaged in banking.
11. Deposits: All deposits held by in any bank, whether payable or non-payable upon demand, including deposits made in savings accounts and deferred deposits.
12. A person: a natural or legal person

Article 3:

The provisions of this law shall apply to all Yemeni banks and to all the branches of foreign banks operating in the Republic, but they shall not apply to the branches of Yemeni banks operating outside the Republic.

Chapter Two Establishment of the Corporation and Its Goals

Article 4:

1. A corporation whose name shall be the “Bank Deposit Insurance Corporation” shall be established. Said Corporation, which shall be a financially and administratively independent legal entity, shall be entitled to conduct all legal actions, including entering into contracts, borrowing funds, and acquiring such movable and fixed assets as are necessary to achieve its aims.

2. The Corporation shall have its headquarters in the city of Sanaa, and its Board may establish branches and offices for the Corporation anywhere in the country.

Article 5:

It is the aim of the Corporation to achieve the following:

- 1- Protect small bank depositors by insuring a fixed amount of bank deposits and providing a mechanism that would ensure compensating depositors for their deposits without delay in case the bank fails for any reason and a decision is made to liquidate it.
- 2- Encourage a larger number of Yemeni citizens to do business with the banking system so that more financial resources would be available for use to advance the progress of economic development and growth.
- 3- Contribute to achieving the stability of the banking system and to guaranteeing that all banks contribute to covering the costs of bank failures and economic crises.

Chapter Three Management of the Corporation

Article 6:

A) The Corporation shall be managed by a Board of Directors that shall consist of:

1. A Governor -- Chairman [of the Board]
2. Deputy Governor -- Deputy Chairman [of the Board]
3. General Manager -- Member [of the Board] and Reporter
4. Representative of the Ministry of Finance -- Member [of the Board]
5. Deputy Governor of the Central Bank [in charge of] the sector monitoring banks – Member [of the Board]
6. Two members [of the Board] nominated by the Banking Association and appointed to the Board for a four-year term by decree issued by the Council of Ministers. Such members may be re-appointed to serve on the Board for one additional term. These two Board members must be experienced in financial and economic affairs and able to contribute to [efforts that are made to] achieve the goals of the Corporation.

B) The Chairman shall represent the Corporation in courts of law and elsewhere, and he shall have the authority to designate a person of his choice to act on his behalf.

Article 7:

The Board shall exercise the following authorities and perform the following functions:

1. Devise and approve the general policy for the Corporation
2. Approve the general plan for investing the Corporation's funds in accordance with the provisions of this law

3. Approve the organizational structure of the Corporation's administrative system, describe its functions and define its missions and responsibilities
4. Approve the regulatory, financial, and administrative regulations and instructions that are required by the business of the Corporation
5. Approve the Corporation's scale of salaries and wages
6. Approve the Corporation's estimated annual budget
7. Approve the Corporation's annual reports and closing statements
8. Approve the Corporation's loans
9. Oversee procedures for liquidating a bank³ in accordance with the provisions of the Banking Law that is in effect.
10. Appoint a certified auditor to audit the Corporation's accounts and set the fees for said auditor
11. Undertake any other matters that are relevant to the Corporation's functions and are proposed to the Board by its Chairman.

Article 8:

1. The Board shall be convened by its Chairman at least once every three months or whenever the need for a meeting arises. The Board shall also meet at the request of at least two of its members. A meeting of the Board shall be legal when it is attended by not less than four of its members, including the Chairman, or, in case of the Chairman's absence, his Deputy. Board decisions shall be based upon the vote of a majority of the Board's members present at a meeting. In the event there is a tie, the side with which the Chairman voted, shall prevail.
2. The Board may invite to its meeting any person of expertise and experience who is not associated with the Corporation. Said person can participate in the meeting and give the Board the benefit of his opinion, but he shall not have the right to vote. Compensation for said person shall be determined by the Board.

Article 9:

1. The Corporation shall be run by an administrative staff headed by the General Manager of the Corporation.
2. The Board shall appoint a competent person with expertise in the banking business to serve as General Manager for the Corporation. The Board shall also determine the financial [compensation] to which the General Manager shall be entitled, and it shall also determine his job-related benefits.

Article 10:

³ Translator's Note: Although a definite article is prefixed to the Arabic term for bank, it is most likely that what is intended here is, *a bank*, as defined in Article 2.10.

The General Manager shall exercise those authorities and perform those functions that are necessary to run the affairs of the Corporation. These include:

1. Implementing the general policy of the Corporation devised by the Board as well as its instructions and decisions.
2. Drafting the organizational structure of the Corporation.
3. Overseeing the Corporation's administrative staff.
4. Preparing, within a period of time that shall not exceed three months after the end of the fiscal year, the Corporation's annual report and closing statements for the Board's review.
5. Drafting the Corporation's estimated annual budget.
6. Exercising any other authorities delegated or entrusted to him by the Board in accordance with the regulations and instructions that are issued based on the provisions of this Law.

Article 11:

Compensation for members of the Corporation's Board [of Directors] may be designated by a decree issued by the Council of Ministers based upon a recommendation from the Corporation's Board.

Chapter 4 – the Corporation's Capital and Its Financial Revenues

Article 12:

1. The Capital of the Corporation:

- A. The capital of the Corporation shall consist of the following:
 - The government's contribution of two hundred (200) million Yemeni riyals, paid by the Ministry of Finance.
 - The contribution of the Central Bank in the amount of four hundred (400) million Yemeni riyals.
 - The contributions of banks in the amount of ten million Yemeni riyals for each bank regardless of the volume of its deposits. Each bank's contribution becomes due and payable upon notifying the bank that its payment is due in accordance with the provisions of this Law.
- B. The contributions that are stipulated in Paragraph 1.A. of this Article shall be paid in full.
- C. Without prejudice to the provisions of Paragraph 1 of this Article, the Board may act, with the approval of the Minister and the Central Bank, to increase contributions to the Corporation's capital in the amount that it deems necessary.

2. The revenues of the Corporation shall consist of the following:
 - A. Any loans obtained by the Corporation in accordance with the provisions of this law.
 - B. Annual subscription dues that are paid to the Corporation by banks, by the Central Bank and by the government.
 - C. Returns from the Corporation's investments
 - D. Late fines that are imposed on banks pursuant to the provisions of this law.
 - E. Any financial grants that are extended to the Corporation with the approval of the Board and that are not inconsistent with the laws and decrees that are in effect.

Article 13:

1. Subject to the provisions of Paragraph 2 of this Article, a bank shall pay the Corporation an annual subscription fee [calculated] at the rate of 0.002 (two per thousand) of the total deposits it has that are subject to the provisions of this Law.
2. Deposits that are not to be considered subject to the provisions of this Law include the following:
 - A. Government deposits
 - B. Inter-bank deposits
 - C. Monetary bonds whose value is limited to that of the terms that are extended and secured by these bonds.
3. The government and the Central Bank shall each pay five percent (5 %) of the total annual subscription fee that is paid by the banks and is stipulated in Paragraph 1 of this Article.
4. The annual subscription fee referred to in Paragraphs 1 and 3 of this Article may be amended, and the rules for calculating said fee may also be amended by a decree issued by the Council of Ministers based upon a recommendation proposed by the Board.
5. The value of foreign currency deposits that the Central Bank determines shall be subject to the provisions of this Law shall be determined on the basis of the exchange rate that is set by the Central Bank on December 31 of each year.

Article 14:

1. A bank shall be obligated to submit to the Corporation and to the Central Bank during the month of January an annual statement, which shall be submitted on a special form that has been designed for that purpose. Said annual statement shall show the bank's total deposits that are subject to the provisions of this Law, as of the thirty-first day of December of the previous fiscal year.
2. During its first fiscal year of operations, a bank shall be obligated to submit the aforementioned statement within two months of the date on which this law goes into

effect. Said statement shall show the bank's total deposits as of the date on which this law goes into effect. The annual subscription fee for that year shall be pro-rated to take into account the period of time remaining in the year.

3. The Corporation may ask the Central Bank to verify the accuracy of the data submitted to it by the banks in accordance with Paragraphs 1 and 2 of this Article.

Article 15:

If a bank fails to submit a statement within the period of time prescribed in Article 14 of this Law, or if it submits a statement that is incomplete, erroneous, or inconsistent with the facts, the General Manager of the Corporation shall impose on said bank a late payment fine that is payable to the Corporation in the amount of ten thousand riyals for every day beyond the due date of submission.

Article 16:

During the month of February of each year, the Corporation shall send payment due notices to banks, stating the amount of the annual subscription fee. During the first fiscal year, however, the payment due notice shall be sent within sixty days of the date on which this Law goes into effect. Banks shall pay said subscription fee within seven days of the date said notice is received by them.

Article 17:

If a bank fails to submit to the Corporation in a timely manner its contributions to the establishment of the Corporation, or if it fails to pay its annual subscription payment during the time said payment is due, a late fine shall be imposed on said bank for each day of delay from the first day of the due date. The late fine shall be calculated on the basis of the discount rate plus a margin that shall be determined by the Central Bank based upon a request from the Corporation.

Article 18:

The banks' contributions to the establishment of the Corporation and their annual subscription fees shall be considered operational expenses for these banks.

Article 19:

1. Elements of the Corporation's reserves shall be determined pursuant to special orders to be issued by the Central Bank for that purpose.
2. The Corporation shall strive to develop its own reserves so that the level of these reserves reaches three percent of the total deposits that are subject to the provisions of this Law.

3. Acting upon a recommendation proposed by the Board, the Council of Ministers may decide to raise the ceiling for the Corporation's reserves, stipulated in Paragraph 2 of this Article.

Article 20:

1. If within ten years of the date on which this law goes into effect the Corporation's reserves do not reach the amount specified for them in Paragraph 2 of Article 19 of this law; if its reserves fall below the set amount after having reached it; or if a decision is made to liquidate one of the banks before the Corporation's reserves reach the aforementioned ceiling amount that was set for them, the banks' annual subscription fees shall be increased by means of a decree issued by the Council of Ministers based upon a presentation proposed by the Board. The increase in subscription fees shall not exceed double the fees set for the banks pursuant to Article 13 of this Law.

2. If the Corporation's reserves exceed the ceiling set for them in Article 19 of this Law, the Board may reduce the banks' annual subscription fee or exempt the banks from paying said fee for one or more years, as required by the situation. The decision to reduce the banks' fees or exempt the banks from paying said fees shall be made by the Council of Ministers on the basis of a presentation proposed by the Board. The Government and the Central Bank shall withhold payment to the banks of the set ratio of the annual subscription fee in accordance with Paragraph 3 of Article 13 of this Law.

Article 21:

If a bank's exposure to risk is deemed by the Central Bank to be unacceptable, based upon the rules that are in effect for assessing the credit risks of banks, the Central Bank may increase the annual subscription fee paid by said bank. The increase in the annual subscription fee is not to exceed double the maximum fee, even if that were to lead to exceeding the set ceiling for the Corporation's reserves in accordance with this Law and without prejudice to any measures taken by the Central Bank in accordance with the Banking Law.

Article 22:

The Board may at any time ask a branch of a foreign bank to present to the Corporation a deposit, financial instruments, or any other guarantees that the Board deems are necessary to guarantee the deposits of the branch of the foreign bank or to continue guaranteeing said deposits in accordance with the provisions of this Law.

Article 23:

At the request of the Corporation the Central Bank may debit the account of a bank for any sums that are due to the Corporation and are payable by said bank in accordance with this Law.

Article 24:

Acting with the government's guarantee, the Corporation may borrow funds directly. It may also, subject to the provisions of any relevant legislation that is in effect, issue bonds so it can pay its obligations in accordance with the provisions of this Law.

Article 25:

1. The Board shall establish the necessary public policies for investing the Corporation's revenues, and it shall set directions in various areas for these policies, taking into account that a measure of balance is achieved between the necessary average liquidity, the need for increasing returns, and investing funds with the least possible risk.
2. The Corporation must deposit in special accounts at the Central Bank any of its funds that are not invested.
3. The Corporation may deposit in any bank the funds it needs to meet its obligations in accordance with the provisions of this Law. The Board shall determine the amount and terms of said deposit, and it shall determine any other guarantees or terms it finds necessary.

**Chapter Five:
Account Records and Closing Statements**

Article 26:

1. The Corporation must keep and maintain records and accounts organized according to the generally accepted principles of accounting.
2. After it is approved by the Board, the Corporation's closing statement shall be published in not less than two broadly circulated daily newspapers.

Article 27:

The fiscal year for the Corporation shall begin on the first day of January of each calendar year, and it shall end on the thirty-first day of December of the same year. The Corporation's first fiscal year shall start on the date this law goes into effect and shall end at the end of the same year unless the Board decides to add that period of time to the following fiscal year and to include it in it.

Article 28:

The Corporation may examine the closing statements of banks and the results of their business [activities] that are available to the Central Bank. The Governor may share with the Board any financial information and data related to the status of any of the banks, if he finds that necessary.

Article 29:

At the request of the Corporation and upon the approval of the Central Bank, a joint inspection team made up of employees of the Corporation and the Central Bank may be formed to review or examine the business, records and data of any of the banks. Said team shall prepare a joint report about the results of its activities, and it shall include its recommendations in the report that is to be submitted to the Central bank and to the Corporation.

Article 30:

If the Corporation becomes aware that a bank or any one of its management staff is engaged in illegal activity or in any activity that violates the rules of the banking business, it shall share this knowledge with the Central Bank so that the latter may take the measures that are stipulated in the Banking Law.

Chapter Six Insured Deposits

Article 31:

1. Subject to the provisions of Paragraph 3 of this Article, and excluding the deposits referred to in Paragraph 2 of Article 13, the Corporation shall insure bank deposits in Yemeni riyals as well as deposits in any foreign currency that the Central Bank shall decide to make subject to the provisions of this Law.
2. The insurance amount shall be equal to the value of the deposit if the deposit amount is 2 million riyals or less, or if it is an amount in foreign currency whose value is equal to 2 million Yemeni riyals. If the value of the deposit exceeds 2 million riyals, the insurance shall be 2 million riyals.
3. The insurance amount shall become due and payable in accordance with the provisions of this Law if the Central Bank decides that the bank is to be liquidated in accordance with the provisions of the Banking Law.
4. In the event that a bank is liquidated, compensation shall be calculated on the basis of the exchange rate for Yemeni riyals and the foreign currency in question, as that rate is determined by the Central Bank on the date the bank is closed.
5. Based upon a recommendation proposed by the Board, the Council of Ministers may issue a decree amending the maximum insurance amount, provided that decision is not applied to the bank whose liquidation was determined prior to issuing this decree.

Article 32:

Within sixty days of the date of its establishment in accordance with this Law, the Corporation shall publish in the Official Gazette and in a prominent spot in two local widely distributed newspapers an announcement that shall contain the names of banks that are subject to the provisions of this Law. The announcement shall include which currencies shall be covered by the Corporation's insurance guarantee and the maximum amount of said insurance. The Corporation shall also publish that same announcement in the same manner during the month of February of each year.

Article 33:

Subject to the provisions of Article 31 of this Law, in the event that a decision is made to liquidate a bank, the following principles and procedures shall be followed to calculate the amount of one person's deposit for the purpose of determining the amount of the insurance:

1. If a person has more than one account in a bank or in any one of its branches, all his accounts shall be considered one account for the purposes of this law.
2. If the account is a joint account, held by two or more persons, the insurance amount shall be distributed proportionately between or among the account holders, in a manner that reflects the share of each one, provided the total of what any one person receives [in compensation] shall not exceed the maximum insurance amount if that person has one other account or more with the same bank.
3. If a person owes money to a bank or if he is serving as a guarantor for one of its debtors, the deposits held by the bank for that person shall be used to offset all of his existing or accrued obligations to the bank or those obligations for which he assumed responsibility, whether or not these obligations and terms are due and payable. If a credit balance remains in the account after the offset, said balance shall be considered the balance for which the insurance amount shall be paid in accordance with the provisions of this Law.
4. When the offset referred to in Paragraph 3 of this Article [is calculated] for the purposes of determining the insurance amount that is payable, the following sums shall not be calculated to be part of the person's deposits:
 - A. Any sums in a foreign currency if that foreign currency is not covered by the Corporation's insurance in accordance with the provisions of this Law.
 - B. Any sums set aside by said person to insure loans and banking terms obtained by another person, unless a credit balance remains after the insured obligations have been paid.

Article 34:

The Board may issue such instructions and any other rules it deems are necessary for applying the provisions of Article 33 of this Law, including determining non-payable obligations or obligations that are to be paid in a foreign currency.

Article 35:

1. A. Without prejudice to the provisions of the Banking Law, if a decision to liquidate a bank is made, the Corporation shall publish a notice to depositors within thirty days of the date on which the decision to liquidate the bank was made. Said notice, which is to be published in at least two, widely distributed daily newspapers, shall ask depositors to submit their claims to the Corporation, to the Bank that is to be liquidated, or to any other entity designated by the Corporation.

B. Fourteen days after the date on which this notice is published for the first time, it shall be published once again in the same way. Thereafter and for three years from the date on which the decision to liquidate the bank was made, said notice shall be published every six months.

2. Insurance payments for bank deposits that have not been claimed by account owners shall be held in trust by the Central Bank. Owners shall have the right to [file claims to] recover these amounts within fifteen years of the date on which the decision to liquidate a bank was made.

Article 36:

1. Subject to the provisions of Paragraph 3 of Article 33 of this Law, the Corporation shall pay the amount of the insurance that is due to the owner of the insured account within thirty days of the date on which he files his claim.
2. The Corporation shall serve as the legal representative of depositors, to the extent of the sums that it paid them.⁴

Article 37:

Members of the Board, any Corporation employee, or any person associated with the Corporation shall be legally bound, under the penalty of law, to observe and maintain the complete confidentiality of all data and information that they are privy to. Such information and data may be revealed only in accordance with the provisions of this Law, the provisions of the Law of the Central Bank, or those of the Banking Law.

Chapter Seven: Liquidating a Bank**Article 38:**

1. The provisions of the Banking Law shall apply to the liquidation of banks. Where there are issues or matters that are not addressed by the provisions of the Banking Law, the provisions of the law governing the activities of liquidating firms shall be followed.

⁴ Translator's Note: The meaning of this sub-paragraph in the source text is not quite clear to the translator.

2. The Corporation shall undertake the task of liquidating any bank that the Central Bank decides is to be liquidated in accordance with the provisions of the Banking Law. The Corporation shall be considered the sole legal representative of any bank whose liquidation has been decided.

Chapter Eight: Final Provisions

Article 39:

The Corporation and all its transactions shall be exempt from all kinds of taxes and fees.

Article 40:

The Corporation may be liquidated only pursuant to a law.

Article 41:

1. Each bank must provide to the Corporation the periodic reports and data that it publishes, and it must also provide any studies and statistics that are relevant to the business of the Corporation.
2. The Corporation and the Central Bank shall exchange information related to any bank at the request of either one of them.
3. Notwithstanding a stipulation to the contrary in any other law, the Corporation may, to achieve the purposes of this Law, go through the Central Bank at any time to ask any bank to provide it with any data or information relevant to the affairs of said bank for a specific period of time.

Article 42:

Subject to the provisions of the laws that are in effect, the Central Bank shall settle any dispute arising between the Corporation and any bank regarding its periodic contribution [to the Corporation].

Article 43:

Paid capital and annual fees shall be non-refundable, regardless of the reason for requesting a refund.

Article 44:

Without prejudice to any harsher penalty stipulated in any other law, any person who knowingly makes a false statement; intentionally fails to mention any data that are crucial to any budget, to another document, to requested information, or to data prepared in accordance with the provisions of this Law; or any person who fails to submit any document, statement,

or information that he is bound and obligated to submit or prepare, shall be considered to have committed a crime. Upon conviction, the penalty for such a person shall be imprisonment for a term that shall not exceed three years, payment of a fine, or both.

Article 45:

All banks that are licensed by the Central Bank to accept deposits must register as members of the Corporation, and they must be subject to the provisions of this law.

Article 46:

The executive regulations for this law shall be promulgated in a presidential decree after they are approved by the Council of Ministers based on a recommendation to that effect by the Council.

Article 47:

This Law shall be published in the Official Gazette, and it shall go into effect thirty days from the date on which it is published in the Official Gazette.

Issued at the Office of the President in Sanaa on 23 April, 2008, coinciding with the 17th day of Rabi' al-Thani, 1429 A.H.

'Ali 'Abdallah Salih,
President of the Republic