Microfinance Banks Law No. 15 of 2009

In the Name of the People:
President of the Republic:

After review of the Constitution of the Republic of Yemen
And following approval of the House of Representatives
Promulgates the law whose text follows:

Chapter One
Terminology and Definitions

Article (1): This law shall be cited as "Microfinance Banks Law".

Article (2): For purposes of applying provisions herein, the words and expressions mentioned hereunder have the meanings before each of them unless the context indicates another meaning:

1. Republic: The Republic of Yemen
2. Central Bank: The Central Bank of Yemen
3. Microfinance Bank: Any financial institution authorized by the Central Bank to run microfinance activities in accordance with provisions herein.
4. Microfinance: Banking transactions with families, small farmers, and small and micro enterprises in both urban and rural sectors in accordance with this Law, the Executive Bylaw and instructions issued by the Central Bank.

Chapter Two
Establishment of Banks and their Objectives

Article (3): Under provisions herein, microfinance banks are established to achieve the following purposes:

1) Offer banking services to families, small farmers, and small and micro enterprises in both urban and rural sectors in the Republic to achieve economic development and social stability.
2) Create equal opportunities for all targeted groups and improve living standards of society members.
3) Provide appropriate funding for targeted groups by offering financial facilities to the poor, which contribute to alleviating unemployment and poverty through focus on poorest groups to achieve self-reliance.

Chapter Three
Business Regulations

Article (4): An authorization for establishment of microfinance banks shall be issued by the Central Bank, given that conditions determined herein are satisfied and Central Bank's instructions followed.

Article (5): Any party applying for an authorization to establish a microfinance bank shall demonstrate practical experience and technical capacity for managing microfinance operations and running internal oversight. The Central Bank is entitled to verify that relevant managers or consultants in these banks have such experiences, particularly what relates with loaning operations and information technology, which shall be demonstrated by these institutions.

Article (6): Yemenis and non-Yemenis may establish microfinance banks or have shares in them following approval of the Central Bank.

Article (7): Excluding activities contained in Islamic Banks Law, microfinance banks are not entitled to undertake the following banking operations:

1) Receive cash deposits payable upon request through issuance of cheques.
2) Open letters of credit or receive bills of lading.
3) Operate as an agent to expand credit services.
4) Accept deposits and businesses relating with wills.
5) Possess shares in projects.
Chapter Four
Banks' Financial System

Article (8): The paid capital of any microfinance bank may not be less than (YR500,000,000) Five Hundred Million Riyals, and the Central Bank is entitled to increase this sum from time to time when required.

Article (9): No microfinance bank is entitled to grant any person or institutions affiliated with it loans or credit facilities or financial guarantees exceeding 0.5% in aggregate of the bank's paid capital and reserve. Such loans, credit facilities or financial guarantees may amount up to 1% of the bank's paid capital and reserve in case of guarantees with real estate mortgage, warehouse receipts, Accounts Receivable, guarantees from governmental institutions or projects with adequate financial solvency. Under no circumstance may those funds exceed rates determined in this article.

Article (10): No microfinance bank is entitled to grant a loan or credit facility or a financial guarantee to anyone of its shareholders, managers or staff, including members of its board of directors or their relatives up to fourth degree, or any legal figures having any form of interest or involvement therein.

Article (11): For purposes of developing collected data on loans and credit facilities offered to each customer according to provisions of Banks Law, a microfinance bank shall provide the Central Bank with monthly reports on loans, credit facilities and guarantees offered to customers. These reports shall include full details and data as per samples developed by the Central Bank.

Article (12): Excluding institutions that don't receive deposits from the public, no person is allowed to exercise microfinance operations without an authorization from the Central Bank in accordance with provisions of Article (4) herein.
Chapter Five
Penalties

Article (13): The Central Bank shall suspend activities of any person violating provisions of Article (12) herein, reserve any commercial and financial documents and money at his/her disposal, and refer him/her to the judiciary. In event this person is found guilty (condemned), he/she face a minimum penalty of one year in jail and is obliged to return rights to their owners.

Article (14): Any person violating provisions of articles (7, 8, 9 and 11) herein shall be subject to a fine of neither less than YR 10,000 (Ten thousand Riyal) nor more than YR50,000 (Fifty thousand Riyals) for each violation day until he/she corrects the situation. The Central Bank is entitled to deduct such a fine from the microfinance bank's credit deposited in it or in another bank.

Article (16): Each microfinance bank violating provisions of Article (10) herein shall be subject to a fine of neither less than YR5,000 (Five thousand Riyals) nor more than YR50,000 (Fifty thousand Riyals) per day under a Central Bank's decree. This fine shall be deducted from violating bank's credit account in the Central Bank or in any other bank.

Article (16): Excluding penalties stipulated herein, each microfinance bank, violating provisions herein or operating in away contravening Law of the Central Bank of Yemen or Islamic Banks Law, shall face penalties and sanctions stated in the Banks Law proportionally to acts committed and their specified penalties.

Chapter Six
General Provisions

Article (17): Whatever is not included in provisions herein shall be dealt with in accordance with Law of the Central Bank of Yemen, Islamic Banks Law, Commercial Firms Law, or any other effective law having relation with this law.
**Article (18):** Banks established under Commercial Firms Law, Banks Law and Islamic Banks Law are entitled to exercise banking microfinance business as one of its usual activities in accordance with provisions herein.

**Article (19):** Microfinance banks shall be subject to oversight and inspection by the Central Bank.

**Article (20):** Whoever faces penalties and procedures stated in articles (13, 14 and 15) herein is entitled to challenge that before competent courts to prove that a procedure taken against him/her is inauthentic, and that shall be within 30 days following the procedure.

**Article (21):** Any banking institution established in the Republic with the aim of undertaking microfinance business shall be subject to provisions herein.

**Article (22):** Governor of the Central Bank of Yemen shall issue the Executive Bylaw of this law within a maximum period of six months from the date of issuing this law.

**Article (23):** This Law shall be put into effect from the date of its issuance and shall be published in the Official Gazette.

Issued by Presidency of the Republic – Sana'a
Dated 10 Rabea Thani, 1430 Hegira Calendar
Corresponding with April 6, 2009.

Ali Abdullah Saleh
President of the Republic