

BANKIGA HORUMARINTA IYO DII  
UDHISKA SOOMAALIDA



بنك الصومال لتنمية واعدادة التعمير

SOMALI DEVELOPMENT AND RECONSTRUCTION BANK

*Law No.25 of 24<sup>th</sup> June 2014 which  
amends all the previous laws pertaining  
Somali Development Bank*

Mogadishu, Somalia, 2014

# Content

1. ARTICLE 1 Definitions.....	3
2. ARTICLE 2 Name .....	3
3. ARTICLE 3 Head Office.....	3
4. ARTICLE 4 Objectives.....	4
5. ARTICLE 5 Structure of the Bank.....	4
6. ARTICLE 6 Capital structure .....	4
7. ARTICLE 7 Subscription.....	5
8. ARTICLE 8 Registered Certificate .....	5
9. ARTICLE 9 Increase of capital.....	6
10. ARTICLE10 Admission of Subscribed Capital.....	6
11. ARTICLE 11 Limit of subscribed Capital .....	6
12. ARTICLE 12 Ordinary Operations .....	6
13. ARTICLE 13 The Bank Power .....	7
14. ARTICLE 14 Limitation of the bank’s Transactions .....	8
15. ARTICLE 15 Organs of the Bank .....	9
16. ARTICLE 16 Power of the Shareholders.....	9
17. ARTICLE 17Meetings of the Shareholders.....	10
18. ARTICLE 18 Rights to intervene and vote in the meeting .....	10
19. ARTICLE 19 First and Second call of the Shareholders.....	11
20. ARTICLE 20 The President and Secretary for the Shareholder’s Meeting.....	11

21. ARTICLE 21 Recording of the Decisions of the Shareholders .....	12
22. ARTICLE 22 THE BOARD OF DIRECTORS, appointment and Terms of office.....	12
23. ARTICLE 23 Function and Power of the Board .....	13
24. ARTICLE 24 Meeting of the Board .....	14
25. ARTICLE 25 The president of the Bank .....	15
26. ARTICLE 26 Function and Powers- The General Director.....	15
27. ARTICLE 27 Appointment and Terms of Office.....	16
28. ARTICLE 28 Function and Power of the General Manager .....	16
29. ARTICLE 29 Special Committee .....	17
30. ARTICLE 30 The Auditors.....	17
31. ARTICLE 31 Duties.....	17
32. ARTICLE 32 MESCELLANEOUS PROVISION Incompatibility.....	18
33. ARTICLE 33 Staff of the Bank .....	18
34. ARTICLE 34 Prohibitions.....	18
35. ARTICLE 35 Preservation of Secrecy.....	18
36. ARTICLE 36 The Seal.. .....	19
37. ARTICLE 37 Financial Year and Approval of the Budget.....	19
38. ARTICLE 38 Allocation of Profit.....	20
39. ARTICLE 39 Decisions of Shareholders meeting in case of loss.....	20
40. ARTICLE 40 FINAL PROVISIONS.....	21
41. ARTICLE 41 Somali text to Prevail.....	21
42. ARTICLE 42 Entry into Force.....	21

## **ARTICLE 1**

### **DEFINITIONS:**

UNLESS OTHERWISE PROVIDED FOR

“Board” means Board of Directors;

“Council” means the Council of Ministers of the Federal Republic of Somalia;

“SFR” Somali Federal Republic;

“FGS” means the Federal Government of Somalia;

“ Shareholder(s)” means annual Meetings of Bank Shareholders;

“ President” means the President of the Bank;

“Certificates” means Registered Certificates of the Bank;

“SDRB” means the Somali Development & Reconstruction Bank

## **ARTICLE 2**

### **NAME**

The Somali Development and Reconstruction Bank (SDRB) is hereby established.

The Bank shall operate according to the provisions of this law and other relevant legislation.

## **ARTICLE 3**

### **HEAD OFFICE**

1-The Bank shall have its Head Office in Mogadishu and may establish branches, agencies and representative offices throughout the (FRS) and abroad.

2-The Board shall determine the location of branches, agencies and representative offices in the FRS and abroad.

## **ARTICLE 4**

### **OBJECTIVES**

The objectives of the Bank shall be:

- 1- To promote, assist and develop or modernise any productive enterprise in the agricultural, industrial, mining, tourism, fisheries, livestock sectors and infrastructure and, in general, to take any other initiative aimed at the economic development of the country, with particular reference to the private sector.
- 2- To facilitate and encourage the private sector to generate employment and income.
- 3- To finance the reconstruction, renovation, rehabilitation of the physical infrastructure of the FGS as well as other development projects in line with national socio-economic priorities.
- 4- To introduce and issue Sukuk (Islamic Bonds) and other securities for investment purposes and to finance big capital projects of the FRS.
- 5- To borrow money from other national, regional and international financial institutions in accordance with Islamic Finance Principles.
- 6- To invest in the capital, money, and real estate markets for equity and capital growth.
- 7- To audit and measure up projects funded by the Bank strictly by: their technical, financial and economic viability of the projects and compatibility not contradicting with sharia tenets

## **ARTICLE 5**

### **STRUCTURE OF THE BANK**

1. The General policy of the Bank shall be led by the Ministry of Finance and the Central Bank, which shall be members of the Board of Directors (BOD).
2. The Ministry of Finance shall be responsible for the settlement of all unpaid debts that the Bank owes the International Financial Institutions, while the Bank shall be responsible for the collection of all unpaid loans from the local entrepreneurs.

## **ARTICLE 6**

### **CAPITAL STRUCTURE**

- 1- The initial Capital of the Bank is US \$ 50m (Fifty Million Dollars); comprising: Minimum Endowment of US \$ 51% for (FGS) and maximum 49% for Somali entrepreneurs, International Private and Institutional Investors.
- 2- The equity capital of the bank shall be divided into 50,000 shares of the value of US\$ 1000 each.
- 3- The Bank shall commence operations once it has 5% of the subscribed capital.

4-The authorised Capital of the Bank shall be divided into one-fifth (1/5) paid- in capital and four fifths (4/5) callable capital.

## **ARTICLE 7**

### **SUBSCRIPTION**

1- Shareholders shall be required to subscribe in cash.

2- Subscriptions shall be considered valid and effective only when at least 5% of the Capital subscribed has been paid.

3- The unpaid balances of the subscriptions shall be called subject to the terms and procedures laid down by the Board.

4- There shall be a notice period of not less than three (3) months for unpaid balances of subscriptions

5- Each shareholder shall be liable to pay own subscription within the period prescribed in Paragraph 4 of Article 6.

6- The Bank shall apply financial penalty in cases of nonpayment of subscription in accordance with the provisions of this law.

7- The financial penalty shall not exceed 2% of the non paid Capital for the first three months; thereafter, the Bank shall increase the amount of the penalty in accordance with any rules as may be established by the Board.

## **ARTICLE 8**

### **REGISTERED CERTIFICATES**

1- Registered certificates of stock shall be issued to shareholders and each certificate may represent one or more shares.

2- The said certificates shall indicate the amount of paid-in- capital which shall be signed by two duly authorised Directors and shall bear the Bank's seal.

## **ARTICLE 9**

### **INCREASE OF CAPITAL**

- 1- The equity capital may be increased by decision of the Shareholder (s).
- 2- The Shareholder (s) shall indicate the amount of such increase and the procedure for the subscription of the newly issued shares.
- 3- Options may be offered thereof to the Shareholder (s).

## **ARTICLE 10**

### **ADMISSION OF NEW SHAREHOLDER(S)**

Admission of new Shareholder (s) in connection with an increase of capital shall be authorized by the Shareholder (s) or by the Board when such power is delegated to it by the Shareholder (s).

## **ARTICLE 11**

### **LIMIT ON SUBSCRIBED CAPITAL**

Except the Somali Government and the Somali Central Bank, no other shareholder shall own more than five percent (5%) of the Bank's subscribed equity capital.

## **ARTICLE 12**

### **ORDINARY OPERATIONS**

NOTWITHSTANDING the provisions of Article 4 of this law, the Bank in its operations shall:

- 1- Generally conform to the priorities for economic and social development in FRS; and shall accordingly cooperate with other bodies and/or entities engaged in the field of Reconstruction and Development;
- 2- In its investments, pay special attention to the development of FRS's natural resources, agriculture, fisheries, and live-stock, with particular emphasis on food production and security;
- 3- Diversify its operations in order to promote equity, minimise risk and spread the benefits of its investments among different sectors;
- 4- Promote partnerships between local and foreign investors as a means to encourage the flow of international capital and technology / management skills to FRS;

5- Provide facilitation with technical inputs, financial participation, and/ or guarantees to foreign investors;

6- Spread its operations into regions and districts of the FRS;

7- In the course of its operations, the Bank will ensure reasonable rates of return from its investments to build up sufficient surpluses for its administrative expenditures, contributions to reserve ordered by the Board of Directors and to further its own investments, as determined by its Board of Directors from time to time.

8- Determine, through its Board, loans, duration, rates of return, and fees to be charged in respect of the Bank's investments.

## **ARTICLE 13**

### **THE BANK POWERS**

1- The Bank shall have all the powers necessary for the achievement of its institutional objectives as provided for in articles 4 and 11 of this law.

2- NOTWITHSTANDING THE ABOVE, the Bank may undertake the following activities:

a) LOAN AND SECURITY TRANSACTIONS:

I. Grant loans;

II. Collect and deal in any bonds assigned to or held by the Bank or any claims accruing to the Bank, and institutional legal proceedings for the collection of such claims and bonds;

III. Form, join and take part in financial syndicates of other financial groups;

IV. Establish financial trusts with a view to issuing ordinary or preferred or any other special stocks and securities, certificates or documents representing stocks or any liquid assets, and regulate any such trusts and participate in their administration by issuing, holding or transferring such ordinary or preferred or any stocks or securities pertaining thereto;

V. Set up, promote or undertake participations in companies ; acquire, hold or transfer shares, bonds or securities of such companies;

VI. Carry on the business of an investment company by acquiring or selling stocks, bonds, or any other securities issues or guaranteed by any company constituted or carrying on business in the FRS as well as bonds, debentures, or any other securities issued or guaranteed by the State, or public entities;

VII. Construct, alter or maintain buildings and structures of any kind for the Bank's business;

VIII. Deal in any manner by way of sale, lease, exchange or otherwise with land or any other property whether moveable or immovable.



**b) BORROWING TRANSACTIONS:**

I. Borrow monies or otherwise contract indebtedness in the FRS or abroad, in domestic or foreign currencies;

II. Secure the said borrowings by mortgage, conveyances trusts-deeds or pledges or other liens or charges upon all or any of the property or upon all or any of the property rights and privileges or any kind, then owned or thereafter acquired by the Bank;

III. Draw, make, accept, endorse, execute, issue, sell or otherwise dispose of policies, drafts, bills of exchange, warrants, bonds and other evidence of indebtedness;

IV. Issue and/or confirm Letters of Credit and Letters of Commitment.

**C) OTHER TRANSACTIONS:**

I. Procure the registration or recognition of the Bank in foreign countries;

II. Take such steps as may be necessary to obtain for the Bank the same privileges in any part of the world as are possessed by local banks, companies or partnership of a similar nature.

**ARTICLE 14**

**LIMITATIONS TO THE BANK'S TRANSACTIONS**

In carrying on its business, the Bank shall be subject to the following limitations:

a) Total borrowing shall not exceed ten times its resources consisting of Capital and ordinary reserve funds;

b) Loans shall not be granted in excess of a ten years period ;

c) Loans shall not exceed three fourths of the total capital requirements of any individual project and shall further require that at least one-fourth of the total capital requirements of the project be actually paid in by the sponsor before the loan funds are released;

d) Total financing including guarantees provided by the Bank to any individual enterprise shall not exceed 10 percent of the Bank's paid in capital and reserve;

e) Equity participations in any individual enterprise shall not exceed 5 percent of the Bank's paid-in-capital and reserves;

f) Equity participation in any individual company shall not exceed 49 percent of the company's paid-in-capital;

g) Total equity participation shall not exceed 50 percent of the Bank's paid-in-capital and reserves;

h) Any public savings or deposits for periods less than twenty-four months shall not be accepted;

## **ORGANIZATION**

### **ARTICLE 15**

#### **ORGANS OF THE BANK**

The organs of the Bank shall be:

- a) The Shareholder (s);
- b) The Board ;
- c) The president;
- d) The Director General for Development;
- e) The Director General for Reconstruction;
- f) Advisors & Legal Counsel;
- g) Shari'ah Advisory Committee;
- h) Departmental Directors;
- i) Sections and subsection Heads.

### **ARTICLE 16**

#### **POWERS OF THE SHAREHOLDER (s)**

- 1- Shareholder (s) shall be required to enter their names, dates of their appointment in a Shareholder (s) Book for the purpose of assuming their duties;
- 2- The Shareholder (s) shall:
  - a) Approve the Balance Sheet and Profit and loss Statements;
  - b) Appoint members of the Board;
  - c) Appoint annually one or more qualified auditors to audit the accounts of the Bank and to certify its Balance Sheet and Profit and Loss Statement;
  - d) Determine the emoluments of the President, members of the Board and Director General;
  - e) Decide on the issue of bonds, increase in the Bank's capital and admission of new Shareholder (s);

- f) Decide actions to be taken under Article 25 of the Law;
- g) Decide on all other matters reserved to it by Law, or submitted for its consideration by the Board ;
- h) May make amendments to this Law on the proposal of the Board.

## **ARTICLE 17**

### **MEETINGS OF SHAREHOLDERS (s)**

convening of Shareholder (s) shall constitute a share holders meeting.

shareholders meeting may be convened subject to the provisions of this law.

1- Meetings of the Shareholder (s) shall be convened at least once a year within the first quarter following the closing of the financial year, or whenever requested by the President of the Bank, the Board, or by 1/3 of Shareholder (s) representing at least one-fifth of the Capital.

2- For convening the Shareholder (s), the President shall give notice at least thirty days prior to the scheduled date of the meeting, by registered letter to each Shareholder, indicating the date, time, place and agenda of the meeting.

3- The quorum for Shareholder (s) meetings shall be 50 plus one of its members.

4- A subsequent date and time may also be set for a second meeting if there is not a quorum for the first meeting.

## **ARTICLE 18**

### **RIGHT TO INTERVENE AND VOTE IN THE MEETING**

1- Shareholder (s) who have entered their names in the Shareholder (s)' Book at least thirty days prior to the scheduled date of the meeting shall have the right to participate in the meeting.

2- Shareholder (s) may intervene and vote at the meeting in person or by proxy. The proxy shall be conferred in writing and documents related thereto shall be kept in the Bank. The staff of the Bank shall not represent any Shareholder.

3- The President of the Bank shall, in every case, check the proxies and, in general, the right to intervene and vote.

4- The President may delegate the functions in paragraph 3 of this Article to any Board member.

## **ARTICLE 19**

## **FIRST AND SECOND CALL OF THE SHAREHOLDER (S)**

1-Shareholder (s) meeting shall be validly constituted as first convened when not less than two-thirds of the capital shares subscribed are represented.

2-When convened for the second time, a Shareholder (s) meeting shall be deemed to be validly constituted regardless of the number of capital shares represented.

3- A Shareholder's Meeting shall decide by majority of those present at the meeting PROVIDED:

a) that decisions to increase the equity capital, admit new member of Board of Shareholder (s) and issue bonds or amend the Laws, shall be approved by the Shareholder (s) representing not less than two-third of the Bank's equity capital.

4- Each Shareholder shall be entitled to one vote for each share owned. The President and the members of the Board shall not participate in decisions in which they have any personal interest.

5- Any decision taken by the Shareholder (s) in accordance with this Law or regulations hereunder shall be binding.

6-Voting shall be by roll-call, unless the Shareholder (s) decide otherwise, provided that the election of Board shall be by secret ballot.

## **ARTICLE 20**

### **THE PRESIDENT AND SECRETARY FOR THE SHAREHOLDER (S) MEETING**

1- A meeting of the Shareholder (s) shall be chaired by the President of the Bank, or in his absence, by the Director General.

2- There shall be a Secretary of meetings of Shareholder (s) who shall maintain records of meetings, unless the President directs otherwise.

3- The President may request one or more persons from among those participating in the meeting to assist him at the time of any voting held in such meeting.

## **ARTICLE 21**

## **RECORDING OF THE DECISION OF SHAREHOLDER (S)**

1- Decisions of the Shareholder (s) shall be recorded in a book designated for this purpose. Such records shall include the minutes of each meeting, which shall be duly signed by the President and Secretary and kept in the Bank.

2. Summaries of the Shareholder (s)' statements shall, on their request, be entered into such minutes.

3- Summaries of the Shareholder (s)' decisions together with the annual Balance Sheet and Profit and Loss Statement, as approved by the Shareholder (s), shall be published in the Official Bulletin.

## **ARTICLE 22**

### **THE BOARD OF DIRECTORS**

#### **APPOINTMENT AND TERM OF OFFICE**

1- The Board shall consist of not less than five and not more than nine members.

2- The Board shall be elected by the Shareholder (s) in proportion to the number of Shares held, provided that:

A minimum of 10% of the subscribed Capital of the Bank shall have been subscribed to qualify for appointing a Director.

3. The Board referred to in paragraph (2) of this Article shall be appointed during the first meeting of the Shareholder (s).

4- The term of the appointment of the Board shall not exceed in two years.

5. Board member who, without the permission of the Board, fail to attend meetings for a period of six months or more shall be deemed to have vacated the office of a Board member.

6. Whereas a Board member's service ceases for any other reason before the expiry of his term, the President shall appoint a new Board member who shall serve until the next meeting of the Shareholder (s).

7- A Board member thus appointed or confirmed shall serve for period of the unexpired term.

## **ARTICLE 23**

### **FUNCTION AND POWERS OF THE BOARD**

- 1- The Board shall, for the attainment of the Bank's objectives, exercise all powers except those which are reserved by the Law or By-Laws to the Shareholder (s);
- 2- Without limitations to the generality of the foregoing, the Board, in particular, may:
  - a) Decide on calling on unpaid balances of capital subscriptions to be paid-in accordance with Article 6 paragraphs (2) and (3) and in case of shares to be transferred to new Shareholder (s), take appropriate action as provided in Article 13, paragraph 2. The join-holders of a share shall be jointly and severally liable to pay all calls in respect thereof;
  - b) Determine the manner in which negotiable instruments are handled.
  - c) Propose the issue of securities;
  - d) Determine the manner in which negotiable instruments shall be signed, drawn, accepted, endorsed, or otherwise executed;
  - e) Lay down general principles regarding lending and borrowing transactions to be carried out by the Bank;
  - f) Establish branches, agencies and representative offices in the FRS and abroad;
  - g) Cause to be kept proper books of account and approve the formulation of Balance Sheet and Profit and Loss Statement and the proposal to be submitted to the Shareholder (s);
  - h) Appoint the members of the Shari'ah Advisory Committee and define their functions;
  - i) Delegate functions and powers to the President, General Manager and also confer mandates and powers on third parties, including appointment of attorney or legal counsel of the bank;
  - j) Set up Special Committees and specify functions and powers thereof;
  - k) Decide on all mortgages or attachments or distraint transactions, or any other collateral transaction related thereto;
  - l) Authorise a Director to become a Director or Office and accept remuneration therefore in any company in which the Bank may have an interest.

## **ARTICLE 24**

## MEETINGS OF THE BOARD

- 1- Meetings of the Board shall be called by the President either at the Head Office, or elsewhere, by giving notice to each Director by registered letter containing an Agenda of the matters to be discussed at least twenty days prior to the date fixed for the meeting.
- 2- NOTWITHSTANDING the provisions of paragraph (1) of this Article, meetings may be convened by giving notice to each Board member at least ten days prior to the date fixed for the meeting.
- 3- Board meetings shall be presided over by the President, in his absence, by the Director General.
- 4- Each Board member may, in his absence, delegate his voting right to another member.
- 5- Board meetings shall be valid when a majority of the members are attending in person or represented by proxy.
- 6- Decisions of the Board shall be taken by majority voters when there is an even number, the President shall have the deciding vote.
- 7- Whereas a Board member, whether on his own or third party account, has any interest conflicting with the Bank's interest, he /she shall notify the other members and shall abstain from taking part in the discussion and the decision relating thereto. Where a Board member fails to comply with this requirement, he /she shall be liable for any damage arising therefrom to the Bank.
- 8- The decisions of the Board shall be recorded in a proper book in the form of minutes to be signed by the President and Secretary and kept in the Bank.
- 9- The Board of Directors shall meet at least once every six months.

## ARTICLE 25

## **THE PRESIDENT OF THE BANK**

### **Appointment and term of office**

1- The President shall be appointed by decree of the President of Federal Republic of Somalia on the proposal of the Minister for Finance, having heard the Council of Ministers.

He /she shall serve for five fiscal years and may be reappointed. If his term of office expires in the course of a financial year, he shall remain in office until the Balance Sheet and Profit and Loss Statement relating to that year have been approved, and in any case, until his successor takes office.

## **ARTICLE 26**

### **FUNCTIONS AND POWERS**

The President shall be the Chief Executive of the Bank and, subject to this law or regulations issued hereunder or/and the general policy decisions of Shareholder (s) and the Board, shall be responsible for the overall management of the Bank.

He/She shall:

- a) Legally represent the Bank towards third parties;
- b) Call and preside over the Shareholder (s);
- c) Call and preside over the meetings of the Board;
- d) Issue powers-of-attorney and proxies to third parties, including those outside the Bank, for the performance of actions within his jurisdiction under the provisions of the Law and By-Laws, or by virtue of the decision of the Board and issue general or special <ad lites> powers-of-attorney as well as authorisations for collecting monies and issuing receipts thereof.



## **ARTICLE 27**

### **THE GENERAL MANAGER**

#### **APPOINTMENT AND TERM OF OFFICE**

- 1- The General Manager shall be appointed by decree of the President of the FRS on the proposal of the Minister of Finance, having heard the Council of Ministers.
- 2- He/She shall serve for three financial years and may be reappointed. If his term of office expires in the course of a financial year, he shall remain in office until the Balance Sheet and Profit and Loss Statement relating to that year have been approved and in any case, until his successor takes office.
- 3- In case of temporary absence or impediment, the General Manager shall be temporarily replaced by a person designated by the President of the Bank.

## **ARTICLE 28**

### **FUCNTIONS AND POWERS OF THE GENERAL MANAGER**

- 1- The General Manager shall, subject to the supervision of the President, be responsible for the day-to-day administration and operation of the Bank and for the supervision of the staff of the Bank.
- 2) He/She shall in particular:
  - a) Attend the meeting of the Board of Directors, but shall not have the right to vote;
  - b) Implement the decisions of the Directors as directed by the President of the Bank;
  - c) Provide for the operation of the Bank and order expenditures relating thereto;
  - d) Be the Head of the staff of the Bank and as such take all measures within his jurisdiction and in accordance with the provisions laid down in the Internal Rules of the Bank.

## **ARTICLE 29**

## **SPECIAL COMMITTEES**

1- The Board of Directors shall have the power to establish one or more special Committees for the handling of special funds or allotment of special contributions granted by foreign states or bodies for particular sectors of the economy.

2- Special Committees shall consist of the President, the General Manager, and one or more Directors designated by the Board and, as the case may be, of other members, as provided for in agreements concluded with the States or Bodies mentioned in the preceding paragraph.

## **ARTICLE 30**

### **THE AUDITORS**

#### **Appointment of External Auditors**

1- The Shareholder (s) shall appoint annually one or more qualified auditors (hereinafter referred to as <the Auditors>) to audit the accounts of the Bank and to certify its Balance Sheet, and Profit and Loss Statement.

## **ARTICLE 31**

### **DUTIES**

The Auditors shall:

- a) Examine the accounting functions, administration and financial transactions of the Bank in order to ensure that they comply with the provision of the Law and By-Laws;
- b) Certify the correctness of the Balance Sheet and Profit and Loss Statement;
- c) Check the cash on hand and stocks and securities held by the Bank.

## **ARTICLE 32**

## **MISCELLANEOUS PROVISIONS**

### **INCOMPATIBILITY**

The President of the Bank, General Manager and Directors are hereby prohibited from any other function incompatible with their duties at the Bank

### **ARTICLE 33**

#### **STAFF OF THE BANK**

- 1- The staff of the Bank of every rank and grade shall be appointed on the basis of an open competitive examination. They shall be Somali citizens possessing the prescribed qualifications.
- 2- NOTWITHSTANDING the provisions of paragraph (1) of this Article, the Bank may hire foreign / nationals consultants or advisors or other personnel seconded from other Banks.
- 3- The terms and conditions of service including the salaries and allowances of the staff shall be laid down by special regulations of the Board.

### **ARTICLE 34**

#### **PROHIBITIONS**

The president, the General Manager and other officers and employees of the Bank shall not engage in any profession, trade or business, industrial or financial activity, nor accept any other paid office except teaching in a University.

### **ARTICLE 35**

#### **PRESERVATION OF SECRECY**

The President, the General Manager, the Board of Directors, staff and any other persons entrusted to carry out any business of the Bank shall not disclose any information concerning the Bank's transactions which comes to their knowledge in the course of their duties, except with the prior approval of the competent authority.

### **ARTICLE 36**

## **THE SEAL**

The Board shall provide for the safe custody of the seal, which shall only be used with the authority of the Board, and every instrument to which the seal shall be affixed shall be signed by designated Director.

## **ARTICLE 37**

### **FINANCIAL YEAR AND APPROVAL OF THE BUDGET**

- 1- The financial year commences, on January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each year.
- 2- Within the first quarter of each financial year, the Board shall approve the Balance and Profit and Loss Statement for the preceding year. Such Balance Sheet shall be accompanied by a report on the Bank's transactions throughout the year.
- 3- The Bank's financial situation, with Profit or Loss, shall be clearly and precisely shown in the Balance Sheet and Profit and Loss Statement.
- 4- The Board shall submit the Balance Sheet and profit and Loss Statement, together with the report and supporting document to the Auditors who shall promptly audit them and prepare a report thereon.
- 5- A copy of the Balance Sheet and Profit and Loss Statement, together with the Board's and Auditors' reports, shall be fit with the Bank's Head Office fifteen days prior to the Shareholder (s) called upon pursuant to Article 16. All members of Shareholder (s) shall have access to these documents and may obtain copies thereof.
- 6- Not later than 31<sup>st</sup> December of each year, the Board shall also approve an Annual Budget for the next financial year, showing the estimated receipts and expenditures of the Bank.

## **ARTICLE 38**

## **ALLOCATION OF PROFIT**

The Shareholder (s), which approves the Balance sheet and Profit and Loss Statement, shall decide on the allocation of profits conforming to the following principles:

- a) Not less than twenty-five percent shall allotted to Reserve Fund;
- b) The remainder shall be allotted according to the Shareholder (s) decisions.

## **ARTICLE 39**

### **DECISIONS OF SHAREHOLDER (s) MEETING (s) IN CASE OF LOSS**

1- In case the Annual Balance Sheet shows a loss amounting to one-half of the capital, the Board of Directors shall call a Share-holders' Meeting to decide:

- a) Whether the loss of the Bank to be made good by the Share-holders by providing additional capital; or
- b) Whether the capital of the Bank to be reduced to the extent of the Loss sustained; or
- c) Whether the Bank shall be wound up.

2- In case the Shareholder (s) decide to wind up the Bank, it shall submit its decisions and the conditions relating thereto to the FGS.

## **ARTICLE 40**

## **FINAL PROVISIONS**

### **REPEAL**

Any Law contrary to or inconsistent with this Law is hereby repealed.

### **ARTICLE 41**

#### **SOMALI TEXT TO PREVAIL**

Where there is a conflict between the language texts of this law, the Somali text prevails.

### **ARTICLE 42**

#### **ENTRY INTO FORCE**

This law shall enter into force After its signed by the President of Federal Republic of Somalia and published in the Official Bulletin.

Mogadishu, .....