

LAWS AND REGULATIONS

The Legal Frame

Legislation that gives the CBS the mandates to its existence is:

- Decree Law No. 6 of 18 Oct. 1968

DECREE LAW NO. 6 OF 19 OCTOBER 1968

SOMALI NATIONAL BANK

THE PRESIDENT OF THE REPUBLIC,

HAVING SEEN: Article 63 of the Constitution;
CONSIDERING: that there is an urgent necessity to revise the Constitutive Law of the Somali National Bank;
ON THE PROPOSAL: of the Prime Minister;
HAVING HEARD: the Council of Ministers;

DECREES:
Chapter I
PRELIMINAR Y

Article I
Interpretation

In this Law, unless the context otherwise requires:

- "Authorized Banks" means banks authorized to conduct banking business in the Republic under the Banking law then in force.
- "Bank" means the Somali National Bank, established by Decree-Law No. 3/1678 of 30 June 1960. Converted into Law by Law No.2 of 13 January 1961 and continued by this Law.
- "Board" means the Board of Directors of the Bank.
- "Minister" means the Minister of Finance.
- "Republic" and "State" mean the Somali Republic, including without limitation its territory and its government.
- "Specified financial institution" means a non-bank credit institution specified by the Bank for the purposes of this Law.
- "Specified public; entity" means any local administration autonomous agency, state-owned enterprise agency, board or other institution established by the State, specified by the Bank for the purpose of this Law.

Chapter II

ESTABLISHMENT, CONSTITUTION AND OBJECTIVES

Article 2

Continued existence and functions of Bank

1. Notwithstanding the abrogation effected by Article 57, the entity known as The Somali National Bank, established by the Constitutive Law of the Somali National Bank, Decree Law No. 3/1678 of 30 June 1960, converted into Law by Law No.2 of 13 January 1961 shall continue as an entity under the same name but shall hereafter be governed by the provisions of this Law.
2. The Bank shall exercise any type of central banking function and shall enjoy all the prerogatives of a central bank, and without prejudice to the generality of the foregoing, shall in particular have the power to issue currency, regulate the banking and credit system and manage the external reserves of the Republic.

Article 3
Principal objectives

The Bank shall be guided in all its actions by the objectives of fostering monetary stability, maintaining the internal and external value of the Somali shilling, and promoting credit and exchange conditions conducive to the balanced growth of the economy of the Republic, and within the limits of its powers, it shall contribute to the financial and economic policies of the State.

Article 4
Legal status and place of business

1. The Bank shall be an autonomous institution with perpetual succession.
2. The Bank may sue and be sued in its own name, as Somali National Bank, and shall have power to acquire; hold, dispose of and otherwise deal with property of whatever kind and to do all such other things as are requisite, advantageous or convenient for or in connection with the performance of its functions under this Law.
3. The Bank shall have its principal place of business in Mogadiscio, provided that in time of national emergency the Bank may, unless the Government objects, establish its head office temporarily in any other location within the Republic or abroad.
4. The Bank may establish or close branches in any location within the Republic or
Abroad.
5. The Bank may appoint or cancel the appointment or agents or correspondents both within and outside of the Republic.

Article 5
Exemptions

1. The Bank shall be exempt from any taxes, imposts and custom duties.
2. The Bank shall also be exempted from postal and telegraphic charges in respect of its functions under Chapter VIII of this Law only.

Article 6
Employment of officers, etc

The Bank shall employ such officers, other employees and agents, at such remuneration and on such terms and conditions as it considers necessary or appropriate for the proper conduct of its business.

Chapter III
CAPITAL AND RESERVES

Article 7
Capital

The authorized capital of the Bank shall be one million Somali Shillings, subscribed and paid by the State, provided that the State may increase the capital by a Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, on the recommendation of the Bank.

Article 8
General Reserve Fund and allocation of profits

1. The Bank shall establish and maintain a fund designated as the General Reserve Fund to which shall be transferred at the end of each financial year one half of the net annual profit of the Bank.
2. After making the transfer to the General Reserve Fund under the first paragraph of this Article, the remainder of the net annual profit of the Bank, shall be paid to the State, provided that for so long as the State is indebted to the Bank, any share of the net annual profit so paid to the State shall first be used to reduce such indebtedness.
3. If the General Reserve Fund is in any financial year insufficient to cover any net loss of the Bank recorded in its profit and loss account, notwithstanding

any other provision of this Law an amount equal to the deficiency shall be paid by the State to the Bank, provided that where any such sum is paid by the State, the Bank shall out of its subsequent profits repay the same to the State and such repayment shall be charged against the profits of the Bank before the determination of its net annual profit under this Article.

4. For the purpose of this Article, the net annual profit of the Bank shall be determined by the Bank by deducting from gross income all current expenses for each financial year, together with the provisions for printing of notes and the minting of coins, 'bad and doubtful debts, depreciation of assets, contributions to staff benefit funds and such other contingencies as the Bank deems appropriate.

Chapter IV ADMINISTRATION

Article 9 Organs of the Bank

The organs of the Bank shall be:

- a) The Board of Directors;
- b) The Governor; and
- c) The Director General.

Article 10 Board of Directors

1. There shall be a Board of Directors of the Bank, which shall be the policy-making organ of the Bank
2. The Board shall exercise its functions under this Article in accordance with this Law and its objectives, and in doing so it may delegate to the other organs of the Bank any or its functions, except for the following:
 - a) Designate specified financial institutions and specified public entities, under Article 1;
 - b) Establish and close branches, under the fourth paragraph of Article 4;
 - c) Recommend an increase in capital, under Article 7;
 - d) Determine net annual profit, under the fourth paragraph of Article 8;
 - e) Establish the general terms and conditions of service for the Bank's staff and general rules of its expenditures, under the first paragraph of Article 13;
 - f) Give leave for a Director to be absent from a meeting of the Board, under the third paragraph of Article 15;

- g) Propose distinguishing features, characteristics and amount of banknotes and coins to be issued, under Article 19;
- h) Decide on the general composition of external reserve and determine the drawing facilities to be included in the Bank's external reserves, under Article 20;
- i) Grant and revoke bank licenses, and review applications for the opening and closing of a bank branches in the Republic, under the third paragraph of Article 29;
- j) Decide upon general terms and conditions for credit to authorized banks, under Article 30, 31 and 32;
- k) Decide upon reserve requirement, under Article 33;
- i) Decide in general upon general credit controls over authorized banks and specified financial institutions, under Article 34 and 35;
- m) Issue orders after Bank inspections, under Article 38;
- n) determine in general the interest, terms, conditions and amounts of credits and guarantees extended to the State and specified public entities, under Articles 40, 41, 42 and 44 and of investments in specialized financial institutions, under Article 43;
- o) Decide upon the disposition of the revaluation losses;
- p) Approve the Annual Report and accounts of the Bank, under Article 53;
- q) Approve the internal rules of the Bank, under the second paragraph of Article 56, including those relating to funds established for the welfare or pensions of the Bank's staff

Article 11

Composition of the Board

1. The Board shall consist of seven members comprising:
 - a) The Governor who shall serve as Chairman of the Board
 - b) The Director General who shall serve as the Deputy Chairman;
 - c) Five directors,
2. The Governor shall be a person of recognized financial or administrative competence, appointed by Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, for a term of five years, and he shall be eligible for reappointment.
3. The Director General shall be a person of recognized financial or administrative competence, appointed by Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, for a term of five years, provided that where he is not a citizen of the Republic, he may be appointed for such term shorter than five years as his contract may stipulate, and he shall be eligible for reappointment
4. The Directors shall be persons of recognized financial or administrative competence, appointed by Decree of the Prime Minister, having heard the Council of Ministers, for terms of three years each, and shall be eligible for

reappointment, provided that with regard to the Directors first appointed, the appointment shall be drawn by lot as follows:

- two Directors for one-year term;
- two Directors for a two-year term;
- one director for a three-year term;

And provided further that if a Director's appointment ceases for any reason before his term has expired, a new Director shall be appointed to serve for the remainder of the term of office of that Director.

5. If a Director suffers an incapacity which is likely to be prolonged, the Prime Minister may appoint a temporary substitute for any such Director until such time as the Prime Minister determines the incapacity has ceased.

Article 12 ***Meeting of the Board***

1. The Board shall meet not less than once in each two-month period. In addition, the Governor may convene meetings whenever the business of the Bank requires.
2. The Director General of the Ministry of Finance, or an alternate designated by the Minister to act for him in his absence, may attend and participate in all Board meetings, but shall have no vote.
3. Subject to the fourth paragraph of this Article, a quorum for any meeting of the Board shall be four members and no meeting of the Board shall be held unless the Governor or the Director General is present.
4. In cases when, in the opinion of the Governor, an urgent necessity requires action necessitating a decision by the Board, decisions may be taken at meetings attended by the Governor and one other member, provided that efforts are made to ensure the attendance of as many directors as the urgency of the situation permits. Actions taken by the Bank pursuant to such decisions shall be valid and binding on the Bank, as if a full quorum had been present. Any such decisions shall be reported at the Board at next meeting thereafter at which a quorum is present.
5. Decisions of the Board shall be adopted by a majority of the votes cast, provided that in any case of a tie-vote, the Chairman presiding at the meeting shall have a casting vote.

Article 13 ***Governor***

1. The Governor shall be the chief executive officer of the Bank and, subject to the general policy decisions of the Board, shall be responsible for the management of the Bank including the organization, appointment and dismissal of the staff in accordance with the general terms and conditions of service established by its Board, and the authorized to incur expenditures of the Bank.
2. The Governor shall be the principal representative of the Bank and shall in this capacity, have the authority:
 - a) To represent the Bank in its relations with other institutions and with the State;
 - b) To represent the Bank, either personally or through counsel, in any legal proceedings to which the Bank is party;
 - c) to sign jointly with other persons contracts concluded by the Bank, notes or securities issued by the Bank, reports, balance sheets and other financial statements, correspondence and other documents of the Bank committing the Bank in any way;
 - d) To delegate his powers provided for in the first paragraph and in clauses (a), (b) and (c) of this paragraph to other officers of the Bank.
3. The Governor shall have the right to be heard in the meetings of the Council of Ministers whenever matters bearing on monetary, banking, credit or exchange policy are discussed.
4. Whenever the Governor is absent or incapacitated, the Director General shall have full power to act for him.

Article 14
Director General

1. The Director General shall, subject to the general supervision of the Governor, be responsible for the day-to-day administration and operations of the Bank and for the supervision of the staff of the Bank. The Director General shall also perform such other duties as may be delegated to him from time to time by the Governor.
2. The Governor may appoint one of the officers of the Bank to act for the Director General whenever that official is absent or incapacitated. The Prime Minister shall be informed of such appointment.

Article 15
General disqualifications for all Board members

1. No person shall serve as Governor, Director General or a Director who is at the same time:

- a) A member of the National Assembly or the Council of Ministers; or
 - b) A director, officer or employee of the State or any public body; or
 - c) A director, officer or employee of a Bank or credit institution within the regulatory jurisdiction of the Bank.
2. The Governor, Director General or any other Director shall be removed from office, following the procedure provided respectively for his appointment, if he:
- a) Becomes subject to any the disqualifications described in the first paragraph of this Article; or
 - b) becomes bankrupt or insolvent, applies for any benefits under the law for the relief of bankrupt or insolvent debtors, compounds with his creditors or makes any assignment in whole or in part of his income from the Bank for the benefit of such creditors: or
 - c) Is convicted of an offence involving dishonesty or fraud; or
 - d) becomes totally and permanently incapable of performing his duties.
3. The prime Minister shall terminate the appointment of a Director who absents himself from three consecutive meetings of the Board without leave from the Board.

Article 16
Special disqualifications for Governor, etc.

1. The Governor and Director General shall owe their duty entirely to the Bank and shall not engage in any paid employment, or professional or business activity outside the duties of their respective offices, except as permitted under the following paragraph.
2. Notwithstanding the provisions of the first paragraph of this Article, the Governor and the Director General may at their option:
 - a) serve on any committee or commission appointed by the Government to inquire into any matter affecting currency or banking, economics of finance;
 - b) Serve on any international financial institutions of which the Republic is a member;
 - c) Serve on the board of any company, corporation or other body in which the Government or the Bank holds stock or shares or otherwise participates;
 - d) With the approval of the Prime Minister, perform services in higher education.
3. The appointment of the Governor or the Director General shall be terminated if he engages in any paid employment; or professional or business activity outside the duties of his office contrary to the provisions of the first paragraph of this Article.

Article 17
Remuneration

1. The Governor or Director General shall be paid by the Bank such salaries and allowances as may be determined from time to time by Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, but such salaries and allowances may not be reduced during any period of appointment.
2. The other Directors and any substitute shall be paid by the Bank such allowances as may be determined from time to time by Decree of the Prime Minister, having heard the Council of Ministers.

Article 18
Preservation of secrecy

1. Except for the purpose of the performance of his duties or the exercise of his functions or when lawfully required to do so by any court or under the provisions of any law, no Governor, Director General, Director, officer or other employee of the Bank, or any other person serving the Bank in any capacity, shall disclose to any person any information which he has acquired in the performance of his duties or the exercise of his functions.
2. Without prejudice to other remedies, a violation of the provision under the first paragraph shall be punishable under the relevant provisions of the Penal Code then in force.

Chapter V
CURRENCY

Article 19
Currency

The Bank shall have the sole and exclusive right to issue banknotes and coins having legal tender quality in the Republic. In performing this function, the Bank shall act in conformity with the monetary law then in force.

Chapter VI
EXTERNAL RELATIONS

Article 20
External Reserve

The Bank shall at all time use its best endeavors to maintain an external reserve at a level adequate for the external transactions of the Republic and

Bank's objectives as defined by this Law. This reserve shall consist of any or all of the following:

- a) gold and silver in any form;
- b) convertible foreign exchange in the form of:
 - i) Demand or time deposits with foreign central banks or with the Bank's agents or correspondents abroad;
 - ii) Documents and instruments customarily used for the making of payments or transfers in international transactions;
 - iii) Notes and coins;
- c) Securities denominated in convertible foreign exchange, issued or guaranteed by foreign governments or international financial institutions, maturing in not more than three years;
- d) Any drawing facility in the International Monetary Fund, which is readily available to the Republic, as determined by the Bank, after consultation with the International Monetary Fund.

Article 21
Dealing in gold and silver

The Bank may import, export, buy, sell or otherwise deal in gold and silver in any form under such terms and conditions as it may determine, in accordance with legal provisions then in force and with international agreements to which the Republic is then a party,

Article 22
Dealing in foreign exchange

The Bank may buy, sell or otherwise deal in foreign exchange in any form under such terms and conditions as it may determine, in accordance with legal provisions then in force and with international agreements to which the Republic is then a party,

Article 23
Holdings of gold, silver and foreign exchange

The Bank may hold gold and silver in any form and balances denominated in foreign currencies or internationally accepted units of account, in its own vaults, with international financial institutions, with foreign central banks or with Bank's agents or correspondents abroad and, in its discretion, may invest such balances in marketable foreign securities, maturing in not more than three years.

Article 24
Institutions with which the Bank may deal in foreign exchange

Except as otherwise provided in this Law, the Bank may deal in foreign exchange only with:

- a) Authorized banks;
- b) The State;
- c) Any specified public entity;
- d) Foreign central banks, foreign bank or foreign financial institutions;
- e) Foreign governments or agencies of foreign governments;
- f) International financial institutions.

Article 25
Exchange control

The Bank shall administer any foreign exchange control in the Republic in conformity with the legal provisions then in force.

Article 26
Payments agreements

1. The Bank shall be consulted in all negotiations for payments agreements by the State.
2. The Bank shall administer any payments agreements entered into by the State.

Article 27
***Fiscal agency for transactions with international
Financial institutions***

The Bank shall be the fiscal agency for all transactions with international financial institutions of which the State is or becomes a member.

Article 28
Depository

The Bank shall act as a depository for the Somali Shilling holdings of international financial institutions of which the State is or becomes a member.

Chapter VII
RELATIONS WITH BANKS

Article 29
Banker to banks

1. The Bank shall open accounts for and accept deposits from authorized banks.
2. The Bank may provide additional services to authorized banks, including inter-bank clearings.
3. The functions performed by the Savings and Credit Committee established under Article 2 of Banking Law, Law No. 18 of 14 August 1963, shall be performed by the Bank.

Article 30
Rediscounts

The Bank may purchase from sell to and rediscount for authorized banks, bills of exchange, promissory notes and other credit instruments, bearing at least the endorsement of an authorized bank maturing within 180 days from the date of rediscount or acquisition by the Bank and issued or made for the purpose of financing:

- (a) The import or the export of goods and products; or
- (b) The trading of goods and products within the Republic; or
- (c) The storage of the nonperishable goods and products, which are duly insured and deposited under conditions assuring their preservation in authorized warehouses or in other places approved by the Bank; or
- (d) industrial or agricultural production, provided that notwithstanding the above, if the Bank finds it to be in the interest of the national economy, the Bank may from time to time declare acceptable for the purposes of this Article instruments relating to industrial or agricultural production maturing within 270 days, in which case the Bank may require the credit instruments to be secured by a pledge, hypothecation or assignment of the related products or crops.

Article 31
Loans

The Bank may grant loans or advances for fixed periods, not exceeding six months, to authorized banks which pledge the following as collateral security for such loans or advances:

- a) The credit instruments referred to in Article 30; or

- b) Negotiable securities issued or guaranteed by the state, subject to the limitations prescribed in Article 41 of this Law.

Article 32
Conditions for credit transactions

Subject to the provisions of Article 30, 31 and 48, the Bank may determine the general terms and conditions under which it extends credit to authorized banks. In particular, the Bank shall determine and announce the rates of interest it will charge for rediscounting eligible paper under Article 30, and granting loans or advances to authorized banks under Article 31.

Article 33
Reserve requirements

1. The Bank may from time to time require authorized banks to maintain minimum balances on deposit with the Bank as reserves against their deposit and other similar liabilities to be determined by the Bank.
2. Subject to such other legal provisions as may be in force, the Bank may prescribe different ratios for different types of liabilities and may further prescribe the method of computing the uniform for all Banks.
3. Any prescription, of or change in, the minimum reserve requirements under this Article, shall take effect only after reasonable notice to the banks of the Bank's intention to take such action.
4. The Bank may impose on any bank which fails to maintain sufficient minimum balances required under this Article a penalty interest charge not exceeding one-fifteenth of one per centum per day on the amount of the deficiency for every day on which the deficiency continues.

Article 34
Credit control over banks

The Bank may, when it considers such action necessary, issue orders prescribing in respect of the loans, advances or investments of authorized banks;

- a) The purposes for which they may not be granted; or
- b) The maximum maturities or, in the case of loans and advances, the type and minimum amount of security which shall be required, and in the case of letters of credit, the minimum amount of margin deposit; or
- c) The limits for any particular categories of loans, advances or investments or for their total amount outstanding.

2. The orders issued under this Article shall not be retroactive, shall apply uniformly to all authorized banks engaging in the credit transactions covered by the orders and shall, together with their operative dates, be published in the Official Bulletin.

Article 35
Credit control over specified
Financial institutions

1. The Bank may, when it considers such action necessary, issue orders control the volume terms and conditions of credit, including installment credit, extended through loans, advances or investments by specified financial institutions.
2. The orders issued under this Article shall not be retroactive, shall apply uniformly to all specified financial institutions engaging in the credit transactions covered by the orders and shall, together with their operative dates, be published in the Official Bulletin

Article 36
Information to be furnished by banks, etc.

1. Every authorized bank and specified financial institution shall furnish to the Bank, at such times and in such manner as the Bank may prescribe such information and data as the Bank may require.
2. The Bank may publish, in whole or in part at such times as it may decide any information or data furnished under the first paragraph of Article, provided that no information shall be published which would disclose the affairs of any individual or enterprise unless the consent of such individual or enterprise has been obtained in writing.

Article 37
Inspection of banks

1. The Bank may periodically or at its discretion cause an inspection to be made by one or more of its officers of any authorized bank and its books and accounts, and shall supply to that authorized bank a copy, of its report on the inspection.

2. It shall be the duty of every director or other officer of an Authorized bank to produce to any officer making an inspection under the first paragraph of this Article all such books, accounts and other documents in his custody or power, and to furnish the inspecting officer with such statements or information relating to the affairs of the authorized bank as the said inspecting officer may require of him within such reasonable time as the said inspecting officer may specify.

Article 38
Powers of the Bank to issue
Orders after an inspection

1. If the Bank finds upon an inspection under Article 37 that the affairs of the inspected bank are being conducted in a manner in its opinion, detrimental to the interests of the depositors or prejudicial to the interests of the bank, the Bank may issue orders requiring the said bank to take such corrective action as the Bank considers to be necessary or to discontinue the harmful practices or procedures.
2. No order shall be issued under the first paragraph of this Article unless the inspected bank has been given a reasonable opportunity to present views to the Bank.
3. The Bank may, upon representation made to it or on its own motion, modify or cancel any order issued under the first paragraph of this Article, and in so doing may impose such conditions as it thinks fit.

Chapter VIII.
RELATION WITH STATE AND PUBLIC BODIES

Article 39
Functions as fiscal agent and banker to the state
And specified public entities

1. The Bank shall be the sole fiscal agent, banker and foreign exchange dealer for the state and all specified public entities. Without prejudice to the generality of the forgoing the Bank may;
 - a) be the official depository and foreign exchange dealer for the state or specified public entity concerned and may accept deposits and effect payment for the account of the State or specified public entity, provided that the Bank may after consultation with the State or the specified public entity, delegate these functions to any other Bank;
 - b) Maintain and operate special accounts in accordance with arrangements made

- Between the Bank and the State or specified public entity concerned;
- c) Service the public debt for the account of the State;
 - d) Pay, remit, collect or accept for deposit or custody funds in the Republic or abroad;
 - e) Purchase, sell, transfer or accept for custody cheques, notes, bills of exchange and securities;
 - f) collects the proceeds, whether principal or interest, resulting from the sale for, or accruing to the interest of, the State or a specified public entity, or securities or other property;
 - g) Purchase, sell, transfer or accept for custody, gold, silver or foreign exchange,
2. Notwithstanding the above paragraph the Bank may authorize specified public entities to conduct particular transactions with commercial banks.
 3. The Bank shall be consulted on the appropriate terms and conditions before the State enters into any credit arrangement or debt obligation in foreign currency exceeding the equivalent of one million Somali Shillings, or issues bonds in any amount denominated in Somali Shillings.

Article 40
Credit to the State and Public bodies

Subject to the provision of Article 41, and except as provided under Article 42, 43 and 48, the Bank may;

- a) Make direct advances to the State, and with the guarantee of the State, to any specified public entity. The advances shall bear interest at such rates as may be determined by the Bank. In agreement with Minister but in no event shall it be less than two and one-half per centum per annum;
- b) Purchase, hold or sell negotiable securities of any maturity issued by the State or issued by a specified public entity and guaranteed by the State;
- c) Give guarantees for the State or for any public body.

Article 41
Limit on credit to the State and Public bodies

1. The total amount of credit extended by the bank under the previous of article 31(b) and article 4(a) and (b) and Article 40 (a) and (b) other than bonds accepted pursuant to the third paragraph of Article (48) and outstanding at any times, shall not exceed thirty-five per centum of the average annual ordinary revenue collected by the State during the last three fiscal years for which accounts are substantially completed, provided that of the total amount of that credit not more than one-seventh shall be in respect to credit to all public bodies.

2. The total of the guarantees given by the Bank for the State or any public body under Article 40 (c), and outstanding at any time, shall not exceed three per centum of the average annual ordinary revenue collected by the State during the last three fiscal years for which accounts are substantially completed.
3. Any payment by the Bank under a guarantee shall be regarded as credit extended to the State or the public body, as appropriate, and outstanding until reimbursed, but the Bank and the Minister may agree to deem all or part of payment as credit extended ratably in the three succeeding years for the purpose of the first paragraph of this Article if the payment would otherwise cause either limit therein to be exceeded.

Article 42

Advances in anticipation of external funds and In respect of subscriptions to international financial institution

1. In anticipation of funds to be received from abroad, the Bank may make temporary advances to the State of up to fifty per centum of such funds for which satisfactory commitments exist. These advances shall be repaid as soon as the funds in respect of which they are made are received.
2. The Bank may make advances to the State for the payment subscriptions to international financial institutions of which the State is or becomes a member.

Article 43

Investment in specialized financial institution

The Bank may purchase, hold or sell shares of specialized financial institution in the Republic sponsored or establish by the State for the purpose of financing economic development, provide that the amount of such shares held by the Bank shall not at anyone time exceed the paid up capital and General Reserve Fund of the Bank.

Article 44

Prohibition of other credit to the State and public bodies

Except as provided in Article 31 (b), 40, 41, 42, 43 and 48, the Bank shall not extend any credit or guarantee directly or indirectly to the State or any public body.

Article 45
Adviser to the State

1. It shall be the duty of the Bank to advise the Prime Minister on any matter which in its opinion is likely to effect the achievement of the principal objectives of the Bank as defined in Article 3.
2. The Prime Minister and the Council of Ministers shall request the Bank to render advice on particular measures, situations or transactions relating to banking, currency, exchange and credit, as well as on all matters concerning the public debt.

Chapter IX
GENERAL BANKING SERVICE FOR THE PUBLIC

Article 46
Continuation of the general banking business

For the purpose of ensuring that the public is adequately provided with general banking services, the Bank may continue to transact general banking business with the public, until these functions are transferred in accordance with Article 48.

Article 47
Kind of general banking business permitted

1. In accordance with Article 46, the Bank shall have power to carry on general banking business with the public, and without limiting the generality of the foregoing, shall have power;
 - a) To receive money on deposit;
 - b) To borrow money;
 - c) To lend money;
 - d) To buy, sell, discount and rediscount bills of exchange and promissory notes;
 - e) To buy, sell and otherwise deal in foreign exchange;
 - f) To establish letters of credit and give guarantees;
 - g) To issue bills and drafts and effect transfers of money;
 - h) To accept pledges;
 - i) To receive items in safe custody.

2. The Bank shall not grant or permit to be outstanding, unsecured advances or unsecured credit facilities which in the aggregate exceed the sum of ten thousand Somali Shillings to anyone of its Directors and the dependent members of his immediate family.

Article 48
Separation of general banking business

1. Within one year of the entry into force of this Law, or on such later date as may be established by a Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, the general banking business at the Bank shall be conducted in a separate department and transactions and accounts of that department shall then be maintained separately from the other transactions and accounts of the Bank.
2. On a date to be established by a Decree of the President of the Republic on the proposal of the Prime Minister, having heard the Council of Ministers, the department established under the first paragraph of this Article and its assets, liabilities, capital, reserves, managements, rights, privileges, entitlements, obligations, bonds, power of attorney right of legal representation, personnel, accounts, property, and all other legal instruments or rights and duties incidental to its functions, shall be transferred in whole or in part to another bank to be designated by that Decree, or back to the Bank's other departments, in accordance with a previous agreement between the Bank, the State and any other bank to which the transfer may be made.
3. For the purpose of completing the settlement pursuant to the second paragraph of this Article, the Bank may accept interest-bearing bonds maturing in twenty years or less and issued by the State, or issued by the bank to which aforesaid transfer is made and guaranteed by the State.

Article 49
***Abolition of Creditor Somalo and
Its absorption by the Bank***

1. The corporate existence of Creditor Somalo shall terminate on the date this Law comes into force.
2. As of the same date, the then remaining assets, liabilities, capital, and reserves of Creditor Somalo, as well as its then remaining management, rights, privileges, entitlements, and obligations. Bonds, power of attorney, rights of legal representation, personnel, accounts, property, and all other legal instruments or rights or duties pertaining to Creditor Somalo, shall be

transferred by the operation of this Article to the Bank, which shall succeed to them, any contractual or legal provision to the contrary notwithstanding. As of that date, the words « Somali National Bank » shall be deemed to be substituted for the words « Credito Somalo » in every legal instrument in which the latter words appear and have legal effect, except for those instruments now relating to the Somali Development Bank under the provisions of Decree-Law No.2 of 28 February 1968 converted into Law by Law No.15 of 30 May, 1968.

3. The administrative and financial integration of Credito Somalo into the Bank shall be accomplished according to the provisions of this Article, subsequent Decrees of the President of the Republic if deemed expedient and regulations and directives of the Bank.

Chapter X

MISCELLANEOUS PROVISIONS

Article 50

Revaluation profits

Profits from any revaluation of the Bank's net assets or liabilities in gold, foreign exchange or foreign securities as a result of any change in the value of the currency unit of any country shall be excluded from the computation of the annual profits and losses of the Bank. All such profits shall be carried in a special account called "Revaluation Account"

Article 51

Prohibited operations

The Bank shall not engage in trade, own or acquire any direct interest in any commercial, industrial or other similar undertaking, or any interest in any real property, except:

- a) as expressly authorized in this Law; or
- b) in the course of the satisfaction of debts due to the Bank, in which case any such interest shall be disposed of at the earliest suitable opportunity; or
- c) for the acquisition of its business premises or residences for its employees.

Article 52

Financial year

The financial year of the Bank shall be from the first of January to the thirty-first December, and the account of the Bank shall be closed at the end of the each financial year.

Article 53
Annual reports

Within four months after the close of each financial year the Bank shall submit through the Prime Minister to the Council of Ministers the balance sheet and the profit and loss account as certified by the external auditors appointed in accordance with Article 55, together with a report on the Bank's operations throughout the year.

Article 54
Publication of reports, etc.

1. The Bank may publish an annual report, including the balance sheet and the profit and loss account as certified by the external auditors appointed in accordance with Article 55
2. The Bank may also issue such other 'publications as it considers to be the public interest.

Article 55
Audit

1. The Bank shall establish an internal audit section for the continuous audit of the transactions and accounts of the Bank.
2. The Prime Minister, having consulted the Magistrate of Accounts, with the approval of the Council of Ministers, shall appoint annually one or more external auditors to audit the accounts of the Bank and certify its annual balance sheet and profit and loss account. This consultation shall constitute the sole and entire participation of the Magistrate of Accounts in the control over the financial management of the Bank. The Prime Minister shall determine the fees for such audit to be paid by the Bank.

Article 56
Regulation and rules

1. The Prime Minister, on the recommendation of the Bank, may make regulations for the proper implementation of this Law:

2. The Bank may make internal rules in conformity with this Law and regulations issued hereunder governing its exercise of the powers conferred hereunder.

Article 57
Abrogation and saving

1. Any law or provision having the force of law, contrary to or inconsistent with this Law is hereby abrogated. In particular the following are hereby abrogated.
 - a) Law No, 10 of 30 September 1956;
 - b) Decree-Law No. 3/1678 of 30 June 1960, converted into Law by Law No. 2 of 13 January 1961;
 - c) the second paragraph of Article 3 of Law No. 22 of 6 July 1962
 - d) Article 2 of Law No. 18 of 14 August 1963;
 - e) the second paragraph of Law No. 13 of July 1965;
 - f) Decree-Law No.5 of 16 August 1966, only insofar as it applies to the Bank.
2. Notwithstanding the provisions of the first paragraph above, all regulations, instruction orders and decisions made under Decree-Law No. 3/1678 of 3 June 1960 and Law No. 2 of 13 January 1961, shall remain valid and binding and shall be deemed to have been made under the provisions of this Law until they are amended or abrogated according to the procedure by which they were made.
3. All whom this Law may concern are called upon to observe it and see that it is observed as a Law of the republic.

Article 58
Entry into force

This Law shall come into force the day following the date of its publication in the Official Bulletin.

Mogadishu, 19 October 1968

President of the Republic of Somalia
ABDIRASCID ALI SCERMARKE

The Prime Minister
MOHAMED HAGI IBRAHIM EGAL
The Minister of Finance
ABDULLAHI JERREH DUALEH