



**NATIONAL SECURITIES EXCHANGE OF
SOMALIA**

TRADING RULES

2025

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PART I - GENERAL PROVISIONS

Article 1 – Rules Administration and Conventions

1. Short Title

These Rules may be cited as the “Rulebook of the National Securities Exchange of Somalia, 2025 (Trading Rules)”.

2. Scope of Application

- (1) These Rules and Regulations shall be binding upon Trading Members in their relationship with The Exchange, as between themselves as Trading Members, and as relates to the business which they conduct as Trading Members of The Exchange with other entities and the general public.
- (2) These Rules and Regulations shall be binding upon Registered Participants in their relationship with The Exchange, and as relates to the business which they conduct as Registered Participants of The Exchange with other entities and the general public.
- (3) All listed securities shall be traded in accordance with these rules through the designated trading platforms of The Exchange unless otherwise specifically exempted by:
 - (a) these Rules, as may be amended from time to time, as well as other rules, guidelines, procedures, and instruments that The Exchange may issue; and/or
 - (b) the Securities Law, as may be amended from time to time, subsidiary legislations made under the Proclamation as well as Directives and other instruments that the Authority may issue consistent with the Securities Law.

3. Applicability of Other Rules of the Ethiopian Securities

The provisions of these Rules shall be read in conjunction with the Rulebook of National Securities Exchange of Somalia, 2025 (General Rules, Membership Rules, Listings Rules, and Disciplinary Procedures and Dispute Resolution Rules).

PART II - CLIENT MANAGEMENT

Article 2 - Client Accounts

4. Know Your Client (KYC) and Customer Due Diligence (CDD)

- (1) A Trading Member shall not accept to open or operate a securities trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person in accordance with the applicable KYC framework or requirements, and any other applicable Anti- Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation as may be in effect from time to time.
- (2) Every Trading Member shall:
 - (a) At least once a year review and where necessary update the records of all of its clients;
 - (b) Adopt a risk-based approach to the review and update all of its clients' records;
 - (c) Obtain its clients' valid National Identification Number, and/or bank account details and/or valid personal identification document;
 - (d) With regard to business organizations, obtain the tax identification number, business registration number and other supporting registered corporate information of the entity and a copy of a valid personal identification document of each authorized signatory;
 - (e) Put in place adequate risk monitoring tools for the accounts opened in line with the applicable KYC framework and/or requirements, and other Customer Due Diligence (CDD) requirements to ensure that such accounts are not abused; and
 - (f) Inform their clients of the basic risks involved in trading on The Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the "Risk Disclosure Document" as approved by The Exchange from time to time; and bring its contents to their client's notice.
 - (g) Trading Members shall tailor the Risk Disclosure Document to their respective business model and clients' risks, and shall obtain and retain in their records, a copy of the risk Disclosure Document duly signed by each client.
- (3) Any Trading Member that violates the provisions of sub-rules (1) or (2) of these Rules shall be liable to suspension from trading for a period to be determined by The Exchange and/or any other sanction as stipulated in the sanctions schedule.

5. Supervision of Client Accounts

- (1) Trading Members shall maintain written policies and procedures regarding the supervision of client accounts, including the opening and closing thereof, and all transactions in such accounts for and on behalf of such account holders.
- (2) The policies and procedures described in sub-rule (1) of these Rules shall be reasonably designed to ensure that:
 - (a) the Trading Member learns the essential facts relative to its client's request to open or close an account;
 - (b) the client has received, or has been offered but waived receipt of, all required disclosures concerning the account prior to opening such account;
 - (c) a client's instructions with respect to transactions involving the client's account are carried out in an orderly and efficient manner; and
 - (d) all transactions and financial commitments entered into by the Trading Member for or on behalf of clients are undertaken pursuant to a written mandate or appropriately recorded voice instructions from such client and are within the scope of authority of the Trading Member or the employee acting on behalf of the Trading Member.
- (3) No person shall approve the opening of accounts except if he or she is a Registered Individual who is licensed as an Appointed Representative of the Trading Member by the Authority.
- (4) The person responsible for giving the approval in sub-rule (3) of these Rules shall learn or be informed of and understand the following essential facts relative to the client and to the nature of the proposed account:
 - (a) the client's total assets compared to the size of the proposed account where the Trading Member has been granted discretion over the account;
 - (b) the client's trading or financial objectives for the account;
 - (c) the client's risk tolerance for trading in the proposed account;
 - (d) the client's overall level of investment experience;
 - (e) whether the client has given written authorization to the Trading Member to exercise discretionary powers over some portion of, or all of the account; and
 - (f) whether the client was solicited to open an account or approached the firm on its own.
- (5) Trading Members shall maintain policies and procedures that are reasonably designed to:
 - (a) protect and hold in confidence all financial and other information concerning the client and/or the client's account;

- (b) promptly detect any irregularity, fraud or error in connection with a client account; and
 - (c) minimize, so far as is reasonably practicable, the risk of loss to the client which results from any irregularity, fraud or error in the firm's interactions with, or on behalf of, such client.
- (6) Trading Members are prohibited from:
- (a) Opening client accounts without observing the Know-Your-Client procedures.
 - (b) Using or borrowing a client's accounts without a contract or his written authorization.
 - (c) Using a client's name without a contract or his written authorization.
 - (d) Establishing fictitious accounts to execute any transaction.
 - (e) Providing incomplete, inaccurate or misleading information to a client.

6. Confirmation of Orders and Mandates

- (1) A Trading Member shall obtain confirmed orders from its clients before placement of an order on the Trading System and shall keep records relating to all aspects of an order, from placement by the client to completion or cancellation and all key events in between.
- (2) Trading Members are required to enter mandates authorizing either a buy or sell order into The Exchange's order book immediately and shall continuously attempt to execute a mandate within the stipulated timeline which shall not exceed (10) business days from the time a mandate was given by the client or a period stipulated by The Exchange.
- (3) If after ten (10) business days of continuous attempt to fulfil the mandate or a period stipulated by The Exchange, the mandate cannot be executed due to market conditions, the mandate must be revalidated unless otherwise specified in the mandate.
- (4) A Trading Member that knowingly fails to execute the mandate within the stipulated period shall be liable to sanction as stipulated in the sanctions schedule.
- (5) Under no circumstance shall a Trading Member receive a pre-signed blank mandate from a client.
- (6) Where a Trading Member accepts a pre-signed blank mandate, it shall forfeit any benefit that may have accrued from the transaction, and shall be liable to sanction as stipulated in the sanctions schedule.
- (7) Every Trading Member shall issue a contract note for every purchase or sale of securities entered into by it not later than the end of the next trading day. The

contract note shall be duly executed by the Trading Member and shall contain the following information:

- (a) The name and logo under which the Trading Member carries on its business as a Securities Broker or Securities Broker Dealer, and the address of the principal place at which it so carries on business;
- (b) The name and address of the client on behalf of whom the transaction was executed;
- (c) Transaction date;
- (d) The description, quantity and the price at which the transaction was executed;
- (e) The amount of consideration payable under the contract;
- (f) The brokerage fee or commission payable by the client to the Trading Member in respect of the contract; and
- (g) Other statutory charges and fees payable by the Trading Member.

7. Maintenance and Segregation of Client's Account

- (1) Every Trading Member shall keep all funds held on behalf of clients in a bank account separate from its own funds and such account shall be kept in the name in which the Trading Member carries on its stockbroking business followed by the words "Clients' Account".
- (2) Failure of a Trading Member to keep and hold all funds on behalf of clients in a bank account separate from its own funds shall result in an immediate penalty of suspension from trading until such account is opened and evidence of maintaining the account is submitted to The Exchange, a fine, and any other sanction as stipulated in the Schedule of Administrative Sanctions.
- (3) Non-payment of the fine stated in sub-rule (2) of these Rules shall be a ground for not lifting the suspension placed on the Trading Member notwithstanding that the Trading Member has opened such Clients' Account and provided evidence of same to The Exchange.

8. Monthly Financial Statement of Account to Clients

- (1) Every Trading Member shall render regularly and promptly, monthly electronic statements of account to each of its clients providing a summary of a client's transactions including a report of activities on the client's account, showing all transactions carried out on behalf of such client.
- (2) Trading Members shall keep copies of statements provided to clients.
- (3) Monthly electronic statements of accounts shall be issued and sent at no cost to clients.

Article 3 – Client Assets

9. Use and Segregation of Client Funds

- (1) A Trading Member entrusted with assets of a client shall use all reasonable care to safeguard those assets, in accordance with this Rule.
- (2) Client funds that are held by a Trading Member must be kept in one (1) or more separate accounts from the Trading Member's business accounts. Clients' fund accounts shall be clearly designated as for the benefit of the Trading Member's clients.
- (3) A Trading Member shall take all reasonable legal measures with the institution holding Clients funds to ensure that such accounts will not be subject to offset against obligations of the Trading Member.
- (4) Each Trading Member shall keep such books and records as shall be necessary to show and distinguish in connection with its business as a Trading Member:
 - (a) Funds received from or on account of clients, and funds paid to or on account of clients, or paid into escrow for the client's benefit; and
 - (b) Funds received from or on account of the Trading Member, and funds paid to or on account of the Trading Member.
- (5) Payments into Clients' Accounts:
 - (a) Trading Members who hold or receive money on account of a client shall, immediately pay such money into the client's account or an escrow account for the client's benefit.
 - (b) In the event that the Trading Member receives funds that belong in part to a client and in part to the Trading Member, the Trading Members shall deposit the entirety of the funds received into the client's account and shall thereafter transfer the Trading Member's funds from the client's account to the Trading Member's account(s). In this regard:
 - (i) Such transfer shall be approved in writing by an authorized supervisor, and shall be noted in the books and records of the Trading Members.
 - (ii) Documentation showing the amount of the initial payment that was due and owing to the Trading Members, and the circumstances of such obligation, shall be made available to The Exchange immediately upon request. If a Trading Member fails to maintain such documentation or provide such documentation to The Exchange upon request, the Trading Member shall be presumed to have improperly commingled client funds.

- (c) No funds shall be paid into a client's account other than:
 - (i) Funds held or received on account of such client;
 - (ii) Funds for replacement of any sum that may have been mistakenly drawn from such account; or
 - (iii) Funds received by the Trading Member representing in part money belonging to the client and in part money due to the Trading Member.
- (6.) Withdrawals from Clients' Accounts:
 - (a) Trading Members shall not withdraw or transfer client funds from the client accounts for the purpose of settling any transaction by the Trading Member as principal, or for the purpose of settling any business debt of the Trading Member.
 - (b) No funds shall be drawn from client accounts other than:
 - (i) Funds properly required for payment by or on behalf of a client in connection with debts due from the client to the Trading Member for liabilities arising from trades executed on behalf of the client or in satisfaction of margin calls or other client obligations;
 - (ii) Funds properly required for payment to a client upon receipt of a written request from the client; and
 - (iii) Funds belonging to the Trading Member as may have been paid into the clients' account.
- (6) Nothing in this Rule shall deprive a Trading Member of any legal recourse rights, whether by way of lien, set-off, counter-claim or otherwise, against funds held in a clients' account.
- (7) Notwithstanding the above provision, no Trading Member shall enter into any agreement authorising a third party to set-off the debt or other obligation of such Trading Member from clients' accounts.
- (8) Custody of Client Securities:
 - (a) Client Securities shall be held in one (1) or more separate accounts from the Trading Member's trading account(s).
 - (b) Client securities accounts shall be clearly designated as being for the benefit of the Trading Member's clients and the Trading Member shall take all reasonable legal measures to ensure that such accounts will not be subject to offset against obligations of the Trading Member.
 - (c) Each Trading Member shall keep such books and records as shall be

necessary to show and distinguish in connection with its business as a Trading Member:

- (i) Securities received for sale or kept pending delivery in the market;
- (ii) Securities fully paid for, pending delivery to the client;
- (iii) Securities received for transfer or sent for transfer by the Trading Member, in the name of the client or the client's designee;
- (iv) Securities that are fully paid for and are held in custody by the Trading Member as security or margin; and
- (v) Fully paid for client securities that are registered in the name of the Trading Member towards margin requirements.

10. Misappropriation of Clients Funds

- (1) Under no circumstance shall a Trading Member that misappropriates its client's funds be permitted to keep any benefit accruing from such misappropriation, including but not limited to bonuses, rights, cash dividends, capital appreciation, and any profit whatsoever.
- (2) Any Trading Member that misappropriates a client's funds shall:
 - (a) Where the value of the funds are at or below a threshold specified by The Exchange, be liable to return the misappropriated funds with interest at five per-cent (5%) above the prevailing bank saving rate; or
 - (b) Where the Trading Member had engaged in such misappropriation of funds on a previous occasion or the value of the funds misappropriated is at or above a threshold specified by The Exchange, the Trading Member shall have its Membership Certificate revoked by The Exchange and shall in addition return the misappropriated funds with interest at ten per-cent (10%) above the prevailing bank saving rate.
- (3) The provisions of sub-rule (2) of these Rules shall apply whether the funds misappropriated were client's funds kept with the Trading Member for use for some other purposes, proceeds of sales of the Trading Member's client's securities, conversion of the client's dividends, or funds in the possession of the Trading Member as a result of invoicing the client at a wrong price, or any client's funds how so ever.
- (4) During the pendency of any investigative or disciplinary proceedings, the Trading Member shall be suspended from trading.

11. Unauthorized Sale or Transfer of Securities

- (1) No Trading Member shall sell or transfer any securities without the authorization

of the owner.

- (2) A Trading Member that has sold or transferred any securities without the authorization of the owner shall not be permitted to keep any benefits accruing from such transaction.
- (3) A Trading Member that sells or transfers securities without the authorization of the owner shall:
 - (a) Be required to buy back the securities along with any accrued benefits within a period as may be specified by The Exchange.
 - (b) Where the value of the transaction is at or below a threshold as may be specified by The Exchange, be liable to pay:
 - (i) a fine as stipulated in the Schedule of Administrative Sanctions or three (3) times the value of the sale or transfer, whichever is higher;
 - (ii) a daily fine for every day from the day on which the Trading Member is required to buy back the securities by The Exchange until the day the Trading Member completes buying back the shares for the owner.
 - (c) Where the transaction is at or above a threshold as may be specified by The Exchange or the Trading Member has engaged in such unauthorized sale or transfer of securities on a previous occasion, The Exchange may at its discretion revoke the trading Member's Certificate and shall in addition be liable to pay:
 - (i) a fine as stipulated in the Schedule of Administrative Sanctions or three (3) times the value of the sale or transfer, whichever is higher;
 - (ii) a daily fine for every day from the day of the sanction until the day the Trading Member completes buying back the shares for the owner.
- (4) Where the Trading Member is unable to buy back the sold or transferred shares within the stipulated period as a result of security unavailability or illiquidity, the Trading Member shall immediately notify The Exchange of this fact in writing and The Exchange shall determine the best monetary value in the circumstances to be paid to the owner.
- (5) During the pendency of any investigative or disciplinary proceedings, the Trading Member shall be suspended from trading.

12. Discretion in Client Accounts

- (1) No Trading Member, Registered Individual, personnel or other representative of

a Trading Member, shall exercise any discretionary power in any client's account, or accept orders for an account from any person other than the client without first obtaining written authorization of the client.

- (2) No Trading Member, Registered Individual, personnel or other representative of a Trading Member exercising discretionary power in any client's account shall effect purchases or sales of securities which are at variance with the objectives of such client.
- (3) Trading Members shall maintain written records of all grants by a client of discretionary power in such client's account, and any revocations of such grants of discretionary power by the client.

13. Payments for Purchase or Sale of Securities

- (1) All payments for purchase of securities shall be made either by electronic money transfer subject to the observance of the provisions of applicable AML/CFT laws and requirements in effect in Somalia.
- (2) All payments for sale of securities shall be made by electronic money transfer in favour of the account holder.
- (3) Any Trading Member that delivers the proceeds of sale of a client's securities to a third party that is not the registered account of the client without the approval of the client shall on demand of the client or The Exchange immediately return or pay the funds to the registered account.

PART III - TRADING

Article 4 - Order Handling and Best Execution

14. Best Execution Principle and Criteria

- (1) Trading Members shall have obligation to deliver the best possible result when executing client orders to all types of securities.
- (2) Trading Members shall establish transparent and comprehensible procedures to ensure fair and orderly execution of client orders.
- (3) Every Trading Member shall be required at all times to:
 - (a) Address investor protection obligations with respect to their clients when they, acting on behalf of their clients, execute their orders on The Exchange platform or system; and
 - (b) Adhere to the best execution principle by taking reasonable steps to obtain the best available result for the client in a timely manner, provided that the Trading Member shall at all times act in accordance with the terms and conditions of the order from the client.
- (4) Where a Trading Member deals on its own proprietary account, and the counter client party to the transaction is the same Trading Member's client, to ensure compliance with the best execution principle, the transaction shall be treated as an execution of the client's order, and not the Trading Member's.
- (5) The Trading Member shall apply its best execution obligations in a manner that takes into account the different circumstances associated with the execution of orders related to particular types of securities.
- (6) When executing a client's order, a Trading Member shall take into account the following criteria for determining the relative importance of the execution factors:
 - (a) The characteristics of the client, including the categorization of the client as retail or institutional as defined in these rules;
 - (b) The specific characteristics of the client order. That is, order specific instructions include but limited to certain execution conditions, such as Good Till Month (GTM), Day Order, Good Till Open (GTO), Fill or Kill (FOK), All or None; and
 - (c) The characteristics of securities that are the subject of that order, including expected return, risk, liquidity, and volatility.

15. Discretionary Investor

- (1) A Trading Member shall only maintain an account for a discretionary investor where, the brokerage agreement executed by the client with the Trading Member

includes, in a conspicuous manner, a discretionary disclosure clause as documentation of the client's consent to the Trading Member's operation of the account in this manner.

- (2) Notwithstanding the provisions of sub-rule (1) of this Rule, a Trading Member shall only make buy and sell decisions in accordance with the client's stated investment goals.

16. The Role of Price

- (1) Where a Trading Member executes an order on behalf of a client, the best possible result shall be determined in terms of the total consideration, representing:

- (a) The price of the securities;
- (b) The costs related to execution, which shall include all expenses incurred by the client that are directly related to the execution of the order;
- (c) Fees for execution, clearing and settlement; and
- (d) Any other fees paid to third parties involved in the execution of the order.

- (2) When executing a client's order for a discretionary investor, a Trading Member shall take into consideration all factors that will allow it to deliver the best possible result in terms of the total consideration, representing:

- (a) The price of the securities and the costs related to execution;
- (b) Speed;
- (c) Likelihood of execution settlement;
- (d) The size and nature of the order;
- (e) Market impact;
- (f) Any other implicit transaction costs or conditions that may be given precedence over the immediate price and cost consideration only, as long as they are instrumental in delivering the best possible result in terms of the total consideration to the client.

17. Order Execution

- (1) Clients' order execution shall include:
 - (a) The execution of orders on behalf of clients; and
 - (b) The transmission of client orders to other entities for execution (third party) when providing the service of reception, and transmission of orders.
- (2) Each Trading Member shall:
 - (a) Establish and implement effective arrangements for achieving the best possible result for its clients.

- (b) Establish and implement an order execution policy to allow it to obtain, for its client orders, the best possible result in accordance with that obligation.
 - (c) Provide appropriate information to all its clients about its order execution policy, and display its order execution policy on its website at all times.
 - (d) Provide its clients with its order execution policy in good time prior to the provision of its services.
 - (e) Establish and implement an order execution policy which shall contain:
 - (i) an explanation of the relative importance that the Trading Member assigns, in accordance with the execution criteria, to the execution factors, or the process by which the Trading Member determines the relative importance of those factors; and
 - (ii) a clear and prominent warning that any specific instructions from a client may prevent the Trading Member from taking the steps that it has ordinarily designed and provided in its execution policy to enable it obtain the best possible result for the execution of those orders.
 - (f) Determine the relative importance of the execution factors or establish the process by which it determines the relative importance of the factors.
 - (g) Apply its execution policy to each client order.
 - (h) Monitor the effectiveness of its order execution arrangements and policy on a regular basis in order to identify and, where appropriate, correct any deficiencies.
- (3) Each Trading Member's execution policy shall determine the relative importance of each of the execution factors or establish a process by which it will determine the relative importance of the execution factors. The relative importance that a Trading Member gives to those execution factors shall be designed to obtain the best possible result for the execution of its clients' orders.
- (4) Each Trading Member shall:
- (a) Notify its clients of any change to its order execution arrangements or execution policy.
 - (b) Review its execution policy, as well as its order execution arrangements annually. The review shall also be carried out whenever a material change occurs that affects the Trading Member's ability to obtain the best possible result for the execution of its clients' orders on a consistent basis.
 - (c) Be able to demonstrate to its clients and The Exchange, upon request, that it has executed its clients' orders in accordance with its execution policy.

The Trading Member shall comply with all audit trail requirements as provided in these Rules.

- (d) Act in the best interests of its clients whilst receiving and transmitting its client's orders to other entities for execution.

18. Following Clients' Specific Instructions

- (1) Each Trading Member shall:
 - (a) Execute its client's specific instructions.
 - (b) Take all reasonable steps to obtain the best possible result for a client whilst executing an order, or a specific aspect of an order.
- (2) Where a Trading Member executes an order following specific instructions from its client, the Trading Member shall be deemed to have satisfied its best execution policy only in respect of the part or aspect of the order to which the client's specific instructions relate. The specific instructions shall not be treated as being applicable to any other parts, or aspects of the client's order in relation to the Trading Member's best execution obligation, except there is proof to the contrary.
- (3) No Trading Member shall induce its client to issue instructions to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction, when the Trading Member ought reasonably to know that such instruction is likely to prevent the best possible result for that client.
- (4) All orders entered for customers shall contain the following information:
 - (a) The date and time of entry;
 - (b) The security name and quantity to be bought or sold; and
 - (c) The terms and validity period of the order.
- (5) A customer's order may be received and/or entered by any of the following means:
 - (a) In person on the premises of the Trading Member;
 - (b) By telephone (voice or text or scanned image), in which case, the order must be recorded by the Trading Member if the Trading Member and customer have agreed to enter orders by telephone and provided the relevant procedures are respected;
 - (c) By electronic mail; and/or
 - (d) By short message service (SMS), provided that any mandate received by SMS is properly documented and shall be provided upon request.
- (6) Failure to provide documentation in proof of any mandate received may be treated as misconduct and sanctioned by The Exchange as appropriate.

19. Client Order Handling

- (1) Upon receipt of clients order, having ascertained completeness of the instruction and reviewed it pursuant to the applicable law and where it accepts to execute the order, the Trading Member shall implement procedures and arrangements which provide for the prompt, fair and expeditious execution of clients' orders.
- (2) Whilst carrying out client orders, each Trading Member shall:
 - (a) Ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated; and
 - (b) Inform its client about any material difficulty relevant to the proper execution of orders promptly upon becoming aware of the difficulty.
- (3) In compliance to the Proclamation, no Trading Member shall misuse information relating to pending client orders, and each Trading Member shall take all reasonable steps to prevent the misuse of such information.

20. Aggregation and Allocation of Orders

- (1) No Trading Member shall execute a client's order in aggregation with another client order unless the following conditions are met; and
 - (a) The aggregation of orders and transactions will not undermine or contradict acceptable fair allocation methodology. Acceptable fair allocation methodologies shall be published from time to time by The Exchange.
 - (b) An order allocation policy is established and effectively implemented, providing in sufficiently precise terms for the fair allocation of aggregated orders and transactions, including how the volume, price and/or time of receipt of orders determines allocations and the treatment of partial executions.
- (2) Where a Trading Member aggregates a client's order with one or more other orders and the aggregated order is partially executed, the Trading Member shall allocate the trades in accordance with its order allocation policy.
- (3) The order allocation and best execution policy shall be one of the internal policy documents of Trading Members, which shall state in precise terms, how order executions shall be allocated to clients of the Trading Member to ensure fairness at all times.

21. Prohibition of Aggregation of Client Transactions with Proprietary Account

No Trading Member shall aggregate a client's order with a transaction for the Trading Member's proprietary account.

22. Audit Trail Requirements

- (1) Trading Members shall establish a system for order tracking and monitoring. This is to ensure that there is an end-to-end trail through the life cycle of an order.
- (2) Evidence of audit trail on all amended, cancelled and executed orders, shall be maintained in the Trading Member's system. This is required to provide visibility into the entire life cycle of an order. To facilitate this, Trading Members shall ensure that they have time stamps and other reliable methods of recording the timing of receipt of client orders.

23. Fixed Income Market Order Handling

- (1) Fixed income securities may be traded on The Exchange ETP through any of the following means:
 - (a) RFQ method; or
 - (b) A firm order placed in the ETP; or
 - (c) Bilateral/negotiated method (voice or chat platform) that occurs on the ETP or is reported to it.
- (2) RFQs shall be in standard amounts or multiples of the standard amount as may be determined by The Exchange.
- (3) Firm orders placed in the trading system shall be for any amount other than the standard amount but shall be in multiples of one unit.

24. Fixed Income Market Quotes or Order Convention

- (1) Quotes or firm orders for debt securities on The Exchange shall be on the basis of yield but shall also display the clean price for a coupon bond which doesn't include any accrued interest between coupon payments.
- (2) Quotes or firm orders for money market securities shall be on the basis of yield
- (3) The Exchange will determine and vary the maximum spread by market makers in the Fixed Income market per the risk management process agreed to with Dealing Market Makers.
- (4) All quotes as price shall be provided to four decimal places.

25. Fixed Income Execution of Trades

- (1) Dealing shall be done through The Exchange ETP.
- (2) For a bilateral or negotiated trade through voice or messaging platforms to be confirmed, the trade must be reported and booked in the trade reporting system within The Exchange ETP. Every Dealing Member, in respect of all trades entered into, shall comply with the reporting requirements as determined by The Exchange.

Dealing Members are obliged to ensure that all telephone conversations between them in respect of trade execution shall be recorded.

26. Validity of Quotes and Orders for Fixed Income Securities

- (1) Quotes shall be given using the RFQ trading module, firm orders and/or by telephone.
- (2) Quotes provided over the phone are valid for that specific phone call.
- (3) Quotes given are valid for a maximum of sixty seconds for on-screen transactions on a two-way quote basis.
- (4) Transactions that are executed outside the trading system shall be reported into the trading system within ten minutes of execution.
- (5) When making a firm order, quotes shall be valid until changed. The amount and/or price of a quote are also valid until changed. A quote cannot be changed after it has been accepted.

27. Trade Conclusion for Fixed Income Securities

- (1) A Dealing Member shall not refuse to deal after quoting a price if the requesting Dealing Member decides to buy or sell at the price quoted.
- (2) A Dealing Member is bound to deal once the price and quantity are agreed.
- (3) A deal is executed when the Dealing Member that requested a quote confirms the buying or selling of a standard amount or specified amount quoted at the price indicated by the quoting Dealing Member.

Article 5 – Error Trades and Orders

28. Responsibility for Accuracy of Orders

- (1) A Trading Member shall be solely responsible for the accuracy of orders entered into the Trading system.
- (2) A Trading Member shall not access a client's trading account without a confirmed mandate from the client to do so.

29. General Ledger Error Accounts

- (1) No Trading Member shall be permitted to effect transactions using the trading facilities of The Exchange unless such Trading Member maintains an error account in its general ledger.
- (2) Any transaction effected using The Exchange's trading facilities which results in a Trading Member assuming or acquiring a position in a security as a result of an error and any transaction initiated by a Trading Member to offset a transaction made in error shall be cleared in the Trading Member's general ledger error account or group general ledger error account unless the customer accepts the error transaction. Any transaction initiated on The Exchange's trading facilities by a Trading Member to offset a transaction made in error shall be duly posted in the general ledger error account.
- (3) A general ledger error account shall be opened by a Trading Member to register all transactions carried out in error. Records as to all errors shall be maintained by the Trading Member and such records shall include the following audit trail data elements:
 - (a) Name or identifying symbol of the security, as may be required by the clearing entity;
 - (b) Number of shares or quantity of security;
 - (c) Transaction price;
 - (d) Trade Time;
 - (e) Executing Trader's identity in regard to its side of the contract;
 - (f) Nature of the error;
 - (g) The aggregate amount of liability that the Trading Member has incurred and has outstanding, as of the time each such error trade entry was recorded; and
 - (h) Any other information as The Exchange may from time to time require.
- (4) An error may be resolved by the client accepting the error transaction as executed or a Trading Member paying the customer to settle the amount of the error.

- (5) A Trading Member shall report to The Exchange all error transactions in such Trading Member's account which the client has refused to accept. The reports shall be rendered monthly and shall contain a detailed record of the errors and liquidating transaction as may be defined and determined by The Exchange from time to time.

30. Cancellation of Trades

- (1) The Exchange may at its discretion, cancel such error trades partially or fully, if a party to the trade makes a request as specified in Rule 5.5, and the relevant counterparties to the error trade agree to the cancellation within the time specified by The Exchange.
- (2) Trades may also be cancelled by The Exchange where a fraud has been established or any other situation that The Exchange considers will adversely affect the market.

31. Management of Obvious Errors

- (1) In the event that one (1) or more transactions is executed that arises out of an obvious error, The Exchange may exercise the power to cancel or adjust such transaction(s) according to the terms of this rule. In addition, The Exchange may cancel or adjust pending bids and offers that arise out of an Obvious Error, or halt trading in one or more securities pending the resolution of an Obvious Error.
- (2) An Obvious Error shall include the following:
 - (a) Error as to Size of Bid or Offer: The transaction resulted from a bid or offer in an amount that was disproportionately larger than the prevailing market in such security.
 - (b) Error as to Bid or Offer Price: The transaction was consummated at a price that is significantly different from the prevailing market in the subject security at the time the initiating bid or offer was made, provided that there is no extrinsic information that would justify such transaction price.
 - (c) Error as to Significant Price Difference: A trade has occurred in securities at a price that is significantly away from the prevailing market for such securities.
 - (d) Error as to Account Number:
 - (i) Validation of accounts before trading is not possible;
 - (ii) The same account number is entered for the buy and sell sides of a cross deal; or
 - (iii) A trade results in an inadvertent cross deal between two accounts of the same Trading Member such that there is no change in beneficial

ownership of the shares traded.

- (e) Rapid repetition of a trade: A series of transactions in the same security for the same amount of such security is executed at a pace and in a manner that suggests to a reasonable observer that the bid or offer is being automatically repeated by either the Trader' or The Exchange's system, contrary to the Traders' or clients' intentions.

32. Obvious Error Procedure

(1) Initiating a Review for Obvious Errors

(a) On the initiative of a Trader:

(i) A Trader that participated in one or more trades as a result of an Obvious Error, shall be required to notify The Exchange in writing within thirty (30) minutes of execution of the transaction(s) and request that the transaction be cancelled or adjusted.

(ii) If a Trader fails to report the potentially erroneous transaction(s) within the time-frame specified, he may be unable thereafter to cancel or adjust the transaction(s) on the basis that it is an Obvious Error.

(iii) Form of notification to The Exchange shall be in writing and in any format The Exchange may from time to time prescribe.

(iv) The notification of an Obvious Error must include the symbol, the transaction time, the transaction price, the account number(s) of the client(s), and a brief description the error in line with the Obvious Error definition.

(v) The Exchange and the Trader shall obtain the written consent of the counterparty prior to effecting the cancellation or adjustment of the transaction.

(b) On initiative of The Exchange: With or without any notification from Traders, The Exchange may on its own initiate any trade or trades for review as potential Obvious Errors. Such review shall be initiated within thirty (30) minutes of the suspected erroneous transaction(s) or in the case of Obvious Errors that could not be detected prior to closure of the market, within a reasonable time from the close of the market.

(c) In instances where the obvious error occurs within thirty (30) minutes of market close The Exchange shall use its discretion as to whether to allow the review of the obvious error.

(2) Whenever a review is initiated for one or more transactions under this rule, The Exchange shall publish a notice informing the market that a trade is under review,

and may invite affected participants in the trade under review to timely submit additional information that would be relevant to The Exchange's review. The notice to the market shall specify the time by which affected participants must respond.

- (3) The Exchange or its designee have exclusive responsibility to determine whether an Obvious Error occurred. If The Exchange or its designee determines after a review of the circumstances that an Obvious Error has occurred, The Exchange shall take the action in sub-rule (4) below.
- (4) Errors as to volume and price will be corrected and an administrative charge of amount as may be determined by The Exchange may be imposed on the Trading. Notwithstanding any administrative charge or fines that are assessed, The Exchange reserves the right to take further disciplinary action against the Trading Member responsible for the erroneous order entry, including compulsory training for the Trader, in accordance with The Exchange's rules regarding disciplinary proceedings.
- (5) The Exchange shall promptly notify the parties to the transaction and the market once a decision is reached as to whether an Obvious Error occurred or not.

33. Decisions of The Exchange on Error Trades and Appeals

An appeal on the decision of The Exchange by an affected party to a trade that has been reviewed pursuant to this rule shall be in accordance with the complaints management and applicable dispute resolution procedures of The Exchange.

Article 6 - Prohibited Activities

34. Prohibition of Business Relationship Based on Guarantee

- (1) No Trading Member shall:
 - (a) enter into any business relationship with a client premised on a guaranteed return to the client; or
 - (b) guarantee, directly or indirectly, a client against loss in any account or in any securities transaction executed by the Trading Member for such client, or previously agreed with the client on a profit margin.
- (2) All Trading Members shall state clearly in communications to their clients that guaranteed returns on investments are prohibited.
- (3) All Trading Members shall include, in conspicuous manner, a provision on all client application forms clearly stating that business and securities transactions based on guarantee are prohibited.
- (4) Any Trading Member which violates the provision of this Rule shall be subject to

the sanctions specified under the Schedule of Administrative Sanctions.

35. Prohibition of Preferential Treatment

- (1) Trading Members are prohibited from giving preference to any client's account over other clients including the assignment of more favourable transactions thereto in a manner that is contrary to the priority in which the executions were made.
- (2) All clients' accounts and transactions shall be managed in accordance with the provisions of these Rules relating to order handling and best execution principles.

36. Prohibition of Transacting with Clients in Default

- (1) No Trading Member shall carry on business for a client who is in default to another Trading Member.
- (2) Every Trading Member has an obligation to notify The Exchange of the name and circumstances of every such default. The circumstances of each default shall be submitted to the appropriate organ of The Exchange.
- (3) The Exchange shall include such defaulting client's name in a list to be kept by The Exchange for the purpose of circulating the name of defaulters to all Trading Members of The Exchange.
- (4) Any list in respect of sub-rule (3) shall solely be managed, updated and edited by the Board of Directors of The Exchange.

37. Facilities and Data of The Exchange

- (1) No Trading Member or Registered Participant shall, by itself or through any other persons on its behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System or Content of the Trading System, except with the written approval of The Exchange and in the ordinary course of business.
- (2) The Exchange shall publish a list of closing prices daily and each Trading Member shall subscribe for at least one (1) copy of each daily publication. No list or related-list of any kind shall be published and sold by a Trading Member or Registered Participant without the prior approval of The Exchange.

Article 7 – The Exchange’s Trading Operations

38. Official Days and Hours of The Exchange

- (1) The Exchange shall open for trading on all business days in Somalia.
- (2) Trading shall be conducted at specified times as may be determined by The Exchange. The Exchange may extend, advance or reduce trading hours by notifying Trading Members as may be necessary.
- (3) Unless otherwise specified by the Board of Directors of The Exchange, The Exchange shall be open for trading business from 9:00 a.m. to 3:00 p.m. EAT, as follows:
 - (a) There shall be a pre-open session between 9:00 a.m. and 9:30 a.m. EAT;
 - (b) Following the opening match, trading shall commence and continue until 3:00 p.m. EAT in a continuous trading session; and
 - (c) Trading shall cease at 3:00 p.m. EAT. No trading shall occur after this time.
- (4) In extraordinary circumstances, at the sole discretion of The Exchange, The Exchange may authorize an extension of the trading hours past 3:00 p.m. EAT on a particular trading day.
- (5) The Exchange shall provide public notice of any extension of the trading day as promptly as practicable.

39. Trading Requirements

- (1) Unless otherwise stipulated at the time of a transaction, all securities dealt in by a Trading Member shall be deemed to be fully paid and funded.
- (2) All transactions entered into by Trading Members shall be for net prices as between the buyer and seller.
- (3) The Exchange shall not recognize in its dealings any parties other than its own Trading Members and every interaction therefore, whether for the Trading Member or on behalf of a client, must be according to the Rules, regulations and usages of The Exchange.
- (4) The Exchange shall determine the mode of trading, platforms and systems from time to time. No Trading Member shall put through a transaction on The Exchange other than through the NSES Automated Trading System.
- (5) The Exchange shall from time to time specify various trading parameters and attributes relating to the Trading System, including but not limited to the following:

- (a) Lot Sizes: The size of a lot shall be one share; and
- (b) Display of Quotes and Orders: NSES shall display as publicly available such details of Orders in tradable securities submitted to the trading system in a format it shall determine from time to time.

40. Orders and Principles of Matching Orders

- (1) Orders entered and executed on NSES Automated Trading System shall be binding on the respective Trading Member.
- (2) An order entered on NSES Automated Trading System shall contain such particulars of information as required by The Exchange.
- (3) Order priority shall first be determined by price followed by time.
- (4) Within a particular Trading Members' Office, a client order shall have priority over a proprietary order of the Trading Member.
- (5) Trading Member may condition execution of an order based on various parameters including volume, time, and price constraints.
- (6) The Exchange shall prescribe from time to time different trade types, market types that will be permitted to Trading Members for dealings in securities. This shall include order entry parameters, price protection methodologies, classifications of securities, time-in-force restrictions, and special fill terms, among others.

41. Maintenance of Trading Systems

- (1) Trading Members shall maintain the appropriate systems and technology to aid receipt, processing and execution of clients' orders, receive reports and trading data electronically from The Exchange's trading systems.
- (2) Trading Members may also maintain the required electronic linked facilities with the applicable central securities depository, clearing and settlement entity and or its equivalent, and maintain an off-site back-up system for data storage and retrieval to prevent any problems in its electronic systems.
- (3) Prior to deploying or updating a trading platform or system, the Trading Member shall make use of clearly defined development and testing methodologies which ensure at least that:
 - (a) The trading system does not operate in an unintended manner;
 - (b) The compliance and risk management controls embedded in the systems work as intended; and
 - (c) The trading system can continue to work effectively in case of a significant increase of the number of messages managed by the system.
- (4) The Trading Member shall be able to demonstrate at all times that they have taken

all reasonable steps to ensure that the trading platform or systems they operate do not contribute to disorderly trading conditions and do not in any way expose the clients to fraud or abuse.

42. Approved Trading Platforms or Systems

- (1) Trading shall only be permitted through the platform and systems approved by The Exchange. These include workstation(s) and/or trade booths located on any of The Exchange trading floors and/or at approved office(s) of a Trading Member or any other access mode as may be approved from time to time by The Exchange.
- (2) Access to the Trading System shall be by the use of Trader Identification Code and the assigned login details for each Trader.

43. Liability of a Trading Member

A Trading Member firm shall be fully responsible for all matters arising from access to the trading engine through its Trader Identification Code and Password.

44. Appointment of Users by Trading Members

- (1) Trading Members shall be entitled to appoint users from a pool of authorized Traders with the approval of The Exchange to granted access to the Trading System.
- (2) The appointment of users shall be subject to such terms and conditions as The Exchange may from time to time prescribe.
- (3) The number of Traders per Trading Member, to be admitted to the Trading Floor at any one time during trading hours as specified in these Rules shall be as determined by The Exchange from time to time.

45. Use of Trading System Access Codes

- (1) The Exchange shall issue to every Trading Member trading codes for access to the trading system and no Trading Member or user thereof shall share its log-in details and password with another Trading Member or user.
- (2) Any Trading Member or user that breaches the provisions of sub-rule (1.) above, shall at any time of such breach be sanctioned in line with the sanctions schedule of The Exchange.
- (3) Where a Trading Member requests to change its login details for reasons approved by The Exchange, the Trading Member shall immediately act in accordance with The Exchange's instructions.

46. Restrictions and Limitations

- (1) A Trading Member shall not permit itself or any other person(s) to:
 - (a) Use the system provided by The Exchange for any purpose other than the purpose as approved and specified by The Exchange.
 - (b) Use the system provided by The Exchange on any equipment other than the system approved by The Exchange.
 - (c) Copy, alter, modify or make available to any other person the software provided by The Exchange.
- (2) Only securities that are included on the list of eligible securities may be traded on or through The Exchange's systems and facilities. Trading Members shall not misrepresent non-eligible securities as being eligible for trading through The Exchange's systems and platforms.
- (3) The Exchange shall determine from time to time the methodologies and timelines for adjustment of market prices of listed securities for ex-dividend or ex-scrip or ex-interest on the basis of declared corporate actions.

47. Dealing in Blocks of Shares

- (1) The Exchange shall prescribe from time to time the volume and value of blocks of securities for sale through a Trading Member to be done with the prior approval of The Exchange.
- (2) Trading Member who wishes to trade block of shares, shall notify The Exchange before executing such trades. The notification and requirements shall be in the form and manner determined by The Exchange from time to time.
- (3) A Trading Member that receives a mandate to deal in a block of shares shall apply to The Exchange for approval, in a format to be specified by The Exchange, to effect the mandate and shall not execute such a mandate without the said approval.
- (4) Where a Trading Member is in doubt as to whether a transaction will be treated as a block of shares, the Trader Member shall consult with The Exchange in order to address the doubt.
- (5) The application from the Trading Member to The Exchange shall be in writing in the format as may be specified by The Exchange. The application shall be accompanied by a copy of the mandate which shall be in the form of a duly executed letter from the shareholder to the Trading Member and such other information reflected on the applicable checklist as The Exchange may from time to time require to be submitted for approval.
- (6) The fees due to The Exchange to deal in a block of shares shall be an amount determined by applying the rate that shall be prescribed by The Exchange from time

to time to the sum of the number of shares to be divested multiplied by the agreed transaction price or the market price, whichever is higher.

- (7) Where the trade of a block of shares is to be executed outside the prevailing market price, the Trading Member shall also include a document explaining the basis upon which the price of the transaction has been calculated with the application.
- (8) The Exchange shall not commence processing of applications to execute a trade of a block of shares without receiving such evidence of payment of the non-refundable processing fee.
- (9) The Exchange may from time to time in its sole discretion prescribe new parameters or thresholds for categorization of trades in blocks of shares.
- (10) Any breach of this rule shall result in sanctions as determined by The Exchange from time to time.

48. Prohibition of Trading in Exchange Listed Securities

- (1) No securities listed on The Exchange shall be bought, sold or transferred outside the facilities of The Exchange.
- (2) Any violation of this rule by a Trading Member or Issuer shall attract penalties according to the degree and frequency of such breach as determined by The Exchange from time to time.

49. Transfer of Title

- (1) Any securities holder that wishes to transfer his securities by way of a transfer of title shall apply to The Exchange through his Trading Member for transfer of the securities. The Trading Member shall carry out the requisite Know-Your-Client (KYC) enquiries on the securities holder and the proposed Transferee.
- (2) The Exchange shall review the application and the supporting documents submitted by the Trading Member to determine whether the relationship between the proposed Transferor and the proposed Transferee is sufficient for the transaction to be classified as a transfer of title.
- (3) In reaching a decision to classify a transaction as a transfer of title, The Exchange shall:
 - (a) With regard to a transfer of title between corporate entities, consider whether a Party directly or indirectly controls the other Party, or both Parties are under common control.
 - (b) A Party shall be deemed to control another Party if it holds or is beneficially entitled to hold, directly or indirectly, more than fifty per cent (50%) of the total voting rights in the other Party, its total income, or

issued share capital.

- (c) Connections between corporate entities include but are not limited to the following:
 - (i) holding companies, subsidiaries and subsidiaries within the same group; and
 - (ii) a joint venture and a special purpose vehicle created for the purpose of the joint venture;
- (d) With regard to transfer of title between individuals, consider the following connections:

- (i) Whether there is a direct familial relationship between Transferor and Transferee including but not limited to spouse, brother, sister, father, mother, child or step-child;

- (ii) Whether the Transferor is acting as administrator, custodian, etc. or as the personal representative administering any deceased person's properties; and the administrator, is:

1. a beneficiary of such properties who has a familial relationship or the deceased such as being a spouse, brother, sister, father, mother, child or step-child; or
2. a body corporate in which the beneficiary under sub-rule (3)(b)(ii)1 of this Rule is a shareholder, or
3. an administrator whose terms confer a power on the administrator that may be exercised for the benefit of the beneficiary under sub-rule (3)(b)(ii)1 of this Rule.

- (e) With regard to a transfer of title between an individual and a corporate entity, consider whether the individual is a beneficial shareholder of the corporate entity.

- (f) With regard to a transfer from an individual, evidence of spousal consent shall be produced by the owner, or a declaration in the form of a letter by an officer of civil status that the owner/seller is not married. The written declaration shall be renewed every six months until the marital status of the owner is changed.

- (4) The Parties shall comply with such directions as may from time to time be provided by The Exchange with regard to completing the transaction.
- (5) The Exchange shall specify from time to time, documents required to be submitted

as part of an application for the approval of all transfer of title.

- (6) The Exchange may charge a fee as may from time to time be determined and published by it.
- (7) Where the transaction is eligible for approval by The Exchange, the Transferee shall execute an indemnity in a form to be prescribed by The Exchange.
- (8) An approval granted by The Exchange for a transfer of securities shall be subject to the approval of the Authority.

50. Short Selling

- (9) Naked short selling is prohibited. Any Trading Member that engages in naked short selling shall be liable to penalties as defined in the Schedule of Administrative Sanctions. Exchange from time to time in line with the guideline promulgated by the Authority, as applicable
- (10) A listed security may be sold at a price below the last sale price. Permissible conditions and requirements for Short Selling shall be determined by The Exchange

51. Trading Halts

- (1) Where necessary or appropriate to the maintenance of a fair and orderly market or for the protection of investors, or otherwise in the public interest, such as in the case of actual or threatened physical danger, civil unrest, terrorism, acts of war, or the loss or interruption of facilities The Exchange may:
 - (a) Halt or suspend trading in one, some or all securities traded on The Exchange;
 - (b) Close some or all Exchange facilities; and/or
 - (c) Determine the duration of any such halt, suspension or closing.
- (2) The Exchange may close The Exchange's facilities upon the direction of a governmental agency in a force majeure situation.
- (3) The Exchange shall set forth conditions and procedures to halt and re-open trading in all securities from time to time. Halting trading activities may be necessitated by significant market movement securities prices.
- (4) Nothing in this Rule shall be construed to limit the ability of The Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on The Exchange pursuant to any other Exchange rule or policy.

52. The Exchange's Discretion to Act in Time of Emergency

If in the opinion of The Exchange, the functioning of the Trading Floor or Trading System

is threatened or likely to be severely and adversely affected by an emergency, including but not limited to fire or other casualty or accident, power failures, communications breakdown, computer malfunction and other similar events, The Exchange shall have full authority to take such actions as it deems appropriate.

53. Other Miscellaneous Provisions

- (1) Cancellation of Dividends: On receipt of official information from an Issuer cancelling the recommendation or declaration of dividends, any notice published announcing the security ex-dividend shall automatically be cancelled and be deemed to have been void and of no effect. Trading activities on such security shall be completed as if the securities have not been marked ex- dividend and any deduction made under thereof shall be refunded.
- (2) Cross Deals: When a Trading Member or Trader has an order to buy and an order to sell the same security at the same price, the Trading Member or Trader may “cross” those orders at a price at or within The Exchange best bid or offer for the security on the trading day.
- (3) Minimum Price Value and Variations: The minimum price variation (MPV) for bids or offers in securities admitted to trading on The Exchange may be made in such variations as The Exchange shall from time to time determine and make known to the market.
- (4) Negotiated Large Volume Deals: The Exchange may, from time to time, designate and approve an order for a Negotiated Large Volume Deal. Such orders shall comply with the minimum volume thresholds, related notification requirements and such other procedures as prescribed by The Exchange from time to time.
- (5) Order Prices: All orders entered on the Trading System shall be at prices exclusive of regulatory fees and brokerage.
- (6) Par Value of a Stock: Notwithstanding its par value, the price of every share listed on The Exchange shall be determined by the market, save that no share shall trade below a price floor set forth by The Exchange from time to time.
- (7) Per Trade Unit: The unit of trading in securities on The Exchange is one (1)
- (8) Price Floor: The Exchange may set an amount below which the price of one unit of a share shall not be permitted to trade.
- (9) Trade Sessions: The Exchange shall prescribe from time-to-time different trade Sessions and their designated period of time, permissible order entry types and Traders actions, queue priority for orders, price discovery methodologies and order matching/execution conditions (Auctions).

PART IV - DIRECT ELECTRONIC ACCESS

Article 8 – Rules on Digital Trading for Client Direct Electronic Access

54. Infrastructure Requirements

- (1) Every Trading Member that intends to set up an online trading portal shall procure and set up the following as approved by The Exchange:
 - (a) A dedicated and secure network connection; and
 - (b) An order management system.
- (2) No Trading Member shall operate an online trading portal without subjecting the online trading portal to security and conformance testing by an authorized credible Assessor on a regular basis and in any event not less than twice every year.
- (3) The security and conformance assessor shall be duly accredited by The Exchange to carry out the assessment and shall certify in a report following the assessment whether the online trading portal is secure for usage or not.
- (4) The Trading Member shall submit a report for each test conducted on its online trading portal to The Exchange no later than ten (10) business days after receipt of the report and in any event no later than the last business day in December and June for the first and second reports of the year respectively.
- (5) The Exchange shall carry out routine spot checks on a periodic basis to confirm that any identified issues in the reports are promptly addressed.
- (6) Applications used by clients to access the order management system shall be protected by the requirement of strong passwords, strong authentication in line with industry standards, optimized for performance and regular security testing.

55. Know Your Client (KYC) Requirements

- (1) Any Trading Member that intends to operate an online trading portal shall carry out a comprehensive KYC exercise on all clients registered through the online trading portal before an online trading account is activated and before any transaction is carried out by clients on the portal.
- (2) The Trading Member shall keep the KYC records and any related records for a minimum period of ten (10) years.

56. Risk Management and Supervisory Control

- (1) Prior to setting up and operating its online trading portal, a Trading Member shall:
 - (a) Establish and adopt robust risk management and information security standards which shall include:

- (i) multi-factor authentication;
 - (ii) encryption;
 - (iii) secure Hypertext Transfer Protocol (HTTPS);
 - (iv) extended validation;
 - (v) policies and procedures to mitigate and guard their online trading portals from fraud, cyber-crime and other risks to the firm and its clients; and
 - (vi) other security standards as The Exchange may prescribe from time to time.
- (b) Put in place a system of change management control on all its critical applications, including the online trading portal and the applications connected to it.
 - (c) Set up high-level security precautions and provide to The Exchange evidence of strong authentication, authorization and access Controls to The Exchange, where a cloud solution is employed.
 - (d) Obtain The Exchange's written approval to operate an online trading portal.
- (2) Only the client of a Trading Member that is duly registered with the Trading Member to trade via its online trading portal shall be eligible to log on to the online trading portal using a personalized and non-transferrable password to communicate with the Trading Member as permitted by the online trading portal, including to initiate, submit or effect changes or amendments to market orders put in by the client.
- (3) Trading Members operating an online trading portal shall:
- (a) Disclose to their clients, via their online trading portals, and on their account opening forms, the risks associated with using the online trading portal.
 - (b) Not share commissions from trade transactions effected via the online trading portal except with other Trading Members and such other registered market operators as The Exchange may from time to time specify.
 - (c) Clearly display on the online trading portal all fees and charges (if any) associated with the usage of the online trading portal, as well as the details for customer service and the complaints management procedure.
 - (d) Take all reasonable precaution to ensure the availability, integrity, confidentiality and security of transmission of financial information to and from clients.

- (e) Exercise care in determining clients' financial sophistication and suitability for particular investments recommended by the Trading Member.
 - (f) Suspend or close a client's account where the Trading Members become aware that such account is being used for fraudulent transactions, money laundering, market abuse, and any other illegal purpose and notify The Exchange of such account suspension or closure within twenty-four (24) hours of the action.
- (4) In operating their online trading portals, Trading Members shall comply with all of The Exchange's Rules and Regulations, including those on communications, advertisement and publication.
 - (5) All trading activities on the online trading portal shall be duly monitored and supervised by a Trader employed by the Trading Member.
 - (6) Where in the sole discretion of The Exchange, a security breach has occurred through a Trading Member's online trading portal, which puts the market at risk, The Exchange may direct the Trading Member to shut down its online trading portal, or take any other appropriate measures that The Exchange may in its discretion determine, including but not limited to shutting down the electronic link between the online trading portal and The Exchange's trading facilities and/or other facilities.

57. Obligation to Provide Information to The Exchange

- (1) The Exchange may at any time require a Trading Member to provide information regarding its online trading portal and any arrangements in that regard, within two (2) business days of The Exchange's request.
- (2) The Compliance Officer of the Trading Member shall be responsible for all matters connected with its online trading portal arrangements, including giving adequate responses to enquiries by The Exchange.

PART V - SETTLEMENT OF TRANSACTIONS

Article 9 – Clearing and Settlement

58. Delivery and Settlement of Securities and Proceeds

- (1) Delivery and settlement shall be done on a time frame and basis prescribed by The Exchange.
- (2) Where an investor is trading on securities of Issuer for the first time, the Trading Member shall update the investor's information, including the investors' marital status, bio-data and banking details, with the central securities depository, or its equivalent, of The Exchange to authenticate the trade within such time set forth by The Exchange.
- (3) Settlement of each trade's proceed carried out on the trading system of The Exchange to the investor shall be done by direct payment into the account of the client or as provided by the central securities depository, or its equivalent, of The Exchange.
- (4) Notwithstanding the foregoing:
 - (a) Settlement of transactions carried out on behalf of any client whose account details are not provided to the central securities depository, or its equivalent, of The Exchange shall be done by payment into the account of the client's Trading Member.
 - (b) Where a client provides its Trading Member with a written mandate to purchase Securities with proceeds from the sale of other Securities any payment attributable to the sale shall be made into the account of the Trading Member provided the client gives its consent in that regard.
- (5) Within three (3) business days or any of such periods approved by The Exchange of receiving instructions from a client that settlement should be done by direct payment into such client's account a Trading Member shall:
 - (a) Notify the central securities depository, or its equivalent, of The Exchange of the client's instructions; and
 - (b) Provide the client's account details.
- (6) Any Trading Member that be found culpable, Shall be liable for any penalties imposed under these Rules for unauthorized sale of securities, in addition to any other sanction which The Exchange may impose:
 - (a) Trades in its client Securities without receiving a mandate from its client;
or
 - (b) Neglects to remit to its client the proceeds from trading in such client's Securities within three (3) business days or any of such periods approved

by The Exchange,

- (7) Every Trading Member shall take all reasonable steps to ensure that all details of trade settlement originates from the actual client and that the Know Your Client provisions in these Rules are duly complied with.
- (8) The seller shall be responsible for such benefits as may be due to the buyer if delivery is delayed.

59. Delivery of Transfer Instruments

Scripts and transfer instruments of value shall be delivered in such manner as prescribed by The Exchange from time to time.

60. Genuineness and Regularity of Documents

- (1) The seller of Securities is responsible for the genuineness and regularity of documents delivered.
- (2) The Exchange shall set forth from time to time, the requirements and procedures for returning to the seller any security, which is by or pursuant to the law of any country, placed under any inability of being delivered.

61. Verification of Transfer

- (1) It is the duty of the selling Trading Member to ascertain that the instrument of verification is correctly acknowledged.
- (2) The Trading Member may on behalf of the client provide the central securities depository, or its equivalent, with details of the client, holdings in a security and such other details that may be required by the central securities depository, or its equivalent, for the purposes of verification of the securities certificates/scripts/instruments.

62. Duty to Report Failed Transaction

- (1) Should the buying Trading Member fail to take make payment or the selling Trading Member fail to deliver on the due date, the party not in default shall report the default to The Exchange as soon as it becomes aware of the matter.
- (2) Any Trading Member, who fails, in relation to a transaction in a tradable security, to comply with these Rules where applicable, shall be liable to disciplinary action by The Exchange.

63. Defective Transfer

- (1) A defective Transfer shall include events whereby a transferee does not have a good title to a security or securities, due to no fault of his, is unable to receive

delivery of transfer of the Securities purported to be transferred by a transferor under the relevant instrument(s) of transfer for any reason whatsoever including any defect in the relevant instrument(s) of transfer or in the title to the Securities.

- (2) In any such event a selling Trading Member shall take all steps necessary to correct such defective transfer within five (5) trading days of the receipt of notice of such defective transfer from a transferee or The Exchange. The selling Trading Member shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by a transferee.

64. Disputed Title on Securities

When an official share certificate has been issued, The Exchange will not, unless bad faith is alleged against the seller, take cognizance of any subsequent dispute as to title, until the legal issue has been decided, reasonable expenses of which legal proceedings shall be borne as The Exchange may direct.

65. Contribution to the Settlement Guarantee Fund

Every Trading Member shall contribute to the Settlement Guarantee Fund or its equivalent an amount as prescribed by the central securities depository, or its equivalent, from time to time in accordance with the guidelines for the operations of the fund to facilitate settlement of transactions.

PART VI - TRADING CONDUCT

Article 10 – Conduct of Trading Members

66. General Conduct

- (1) Every Trading Member shall transact its business in a just and equitable manner, whether for the account of the Trading Member or for the account of a client, must be fulfilled according to applicable laws, rules and regulations.
- (2) A Trading Member shall at all times act or ensure that its Traders, other Registered Individuals, employees and personnel act in the best interest of its clients.
- (3) All Trading Members shall abide by all decisions, rulings and directives of the Board and any other person or body of persons approved by the Board in the lawful execution of its powers pursuant to the provisions of these Rules and Regulations.
- (4) The Exchange shall operate a zero-tolerance policy on proven professional misconduct. Trading Members shall refrain from any act or course of conduct which is likely to harm the reputation of the Market or any Trading Member.
- (5) No Trading Member shall do or cause to be done any act, matter or thing which would adversely affect the goodwill or public image of The Exchange.
- (6) With respect to activities on The Exchange, a Trading Member shall only enter into a partnership, agency or profit sharing arrangement with a person or corporate entity who or which is also a Trading Member and such other licensed Capital Market Service Providers as The Exchange may from time to time specify.
- (7) Any Trading Member that violates the provisions in these Rules shall be liable to any sanctions that The Exchange may impose and not limited to monetary sanctions.

67. Duty of Reporting to The Exchange

- (1) Trading Members shall comply with such reporting and/or other requirements pertaining to specific transactions as may be prescribed by The Exchange from time to time.
- (2) A Trading Member shall inform The Exchange in writing immediately if the Member, or any of Registered Individuals or other personnel, as the case may be:
 - (a) Breaches any provisions of the Proclamation, this Rules, rules of any other exchange or market or any applicable laws (foreign or local) governing the Trading Member's activities;
 - (b) Breaches any provision or a subject of a written complaint or investigation

- involving fraud or dishonesty, whether in or out of Somalia;
 - (c) The subject of any disciplinary action taken by the Trading Member involving suspension, termination, withholding of benefits, fines or any other significant limitation of activities;
 - (d) Engages in conduct that has the effect of circumventing the Proclamation, other relevant applicable laws and regulatory requirements and which is inconsistent with the principles of good business practice;
 - (e) Engages in conduct which is detrimental to the integrity, reputation or interests of The Exchange; and
 - (f) Is insolvent, or is the subject of bankruptcy or winding up proceedings.
- (3) The reporting obligations under this Rule apply whenever any of the above mentioned or related events occurs, or threatens to occur.

68. Access to the Trading Floor and Controls

- (1) No Trader or Trainee Trader shall have access to the Trading Floor unless he or she:
- (a) Obtains a trading jacket or official robe or apparel as may be prescribed by The Exchange; and
 - (b) Applies to and obtains from The Exchange a trading floor identification badge and an access control card, which shall be issued, upon fulfilment of necessary requirements, including payment of necessary fees as prescribed by The Exchange provided The Exchange has discretion to withhold access.
- (2) Each Trader and Trainee Trader shall at all times on the trading floor or other designated location as may be specified by The Exchange:
- (a) Wear a trading jacket or official robe or apparel as may be prescribed by The Exchange;
 - (b) Wear a trading floor badge on such part of his trading jacket or official robe or apparel as may be prescribed by The Exchange and as shall make him constantly identifiable; and
 - (c) Carry his access control card or other such access tool with him.
- (3) Any Trader or Trainee Trader that appears in the manner contrary to the provisions of this Rule and any other provision as may be prescribed by The Exchange from time to time, shall be sent off the trading floor or other designated location and shall be liable to other sanctions as prescribed by The Exchange.
- (4) No Trader or Trainee Trader shall access the trading floor or other designated location, or the trading system of The Exchange without the appropriate access rights.
- (5) Any Trader or Trainee that appears on the trading floor without an access control card or uses an access control card belonging to another Trader or Trainee Trader

to enter or exit the trading floor shall be denied access to the trading platform for two (2) weeks and be liable to other sanctions as may be prescribed by The Exchange.

- (6) If any Trader or Trainee Trader falsely presents himself as another Trader or Trainee Trader and enters or attempts to enter the trading floor whilst wearing the trading floor badge of the other Trader or Trainee Trader or he uses or attempts to use their access control card to enter or exit the trading floor, he shall be denied access to the trading platform for two (2) weeks and be liable to other sanctions, including monetary fines as may be prescribed by The Exchange.
- (7) Any Trader or Trainee Trader that is suspended from the trading floor and denied access to the trading platform shall forthwith surrender his/her trading floor badge and access control card to The Exchange. Until his/her suspension is lifted and he/she is readmitted to the trading floor, his/her trading floor badge shall be revoked and he/she shall be denied access to the trading platform and his/her access control card shall be deactivated.
- (8) Trading floor badges and access control cards remain the property of The Exchange and shall be surrendered to The Exchange upon the occurrence of any of the following:
 - (d) Suspension;
 - (e) Revocation of registration as a Trader;
 - (f) Blacklisting;
 - (g) Relinquishment of Membership Certificate;
 - (h) Revocation of Membership Certificate.

69. Conduct on the Trading Floor

- (1) All Traders and permitted persons shall at all times conduct themselves with decorum whilst on the trading floor.
- (2) Smoking, gaming, gambling and any other act which is considered by The Exchange to be detrimental to the interests of The Exchange are strictly forbidden on the Trading Floor.
- (3) Drinking and eating may only be carried on at the designated area or areas.
- (4) Upon a finding by the relevant Board Committee or such entity as the Board delegates that the Trader or permitted person has breached this Rule:
 - (a) The Trading Member that is the employer of the Trader or permitted person shall pay for any damage suffered by other Traders, permitted person or staff of The Exchange or any damage to their property and monetary fine recommended by the Board Committee or such entity

delegated by the Board.

- (b) The Exchange may impose an appropriate sanction on the Trader or permitted person in breach.

70. Care in the Use of Trading Terminals and Equipment

- (1) It is the duty of every Trader to exercise due care in operating the trading terminals and workstations and other equipment at the Trading Members' booth.
- (2) Where any damage is caused to any of the equipment or fixtures or any other property by a Trader or by any other person employed by the Trading Member, the Trading Member shall be responsible.
- (3) Where any damage is caused negligently, The Exchange may impose whatever disciplinary action it thinks fit.
- (4) Trading Members shall make adequate provisions for secure and controlled access to their trading terminals and other trading system support technology; and documentation such as letterhead and other confidential and valuable documentation.
- (5) Where two (2) or more Trading Members share space or where a Trading Member firm is part of another entity, the procedures and the physical layout of the office should clearly indicate the responsibilities of the firms or entities within the office.

71. Front Running and Trading Ahead of Clients

- (1) Trading Members shall not take advantage of clients' order that may influence the price of a security, nor shall the Trading Member trade ahead of clients in the same direction of their orders before the said clients have executed their orders, which may result in the Trading Member benefiting from and illegally taking advantage of the clients.
- (2) Trading Members are prohibited from making any deals or recommendations to others to trade in the same direction of the orders before the execution thereof.

72. Prohibition of Market Manipulation and Illegal Dealings

- (1) No Trading Member shall:
 - (a) Either for its own account or on behalf of another person, directly or indirectly use or knowingly participate in the use of any manipulative, improper, false or deceptive practice of trading in a security listed on The Exchange which practice creates or might create:
 - (i) a false or deceptive appearance of the trading activity in connection with; or

- (ii) an artificial price for, that security;
 - (b) Place an order to buy or sell listed securities which, to his or her knowledge will, if executed, have the effect contemplated in sub-rule (1) (a) of these Rule.
- (2) In addition to the above, the following are deemed to be manipulative, improper, false or deceptive trading practices:
 - (a) Approving or entering an order to buy or sell a security traded on the floor of The Exchange which involves no change in the beneficial ownership of that security;
 - (b) Approving or entering an order to buy or sell a security traded on the floor of The Exchange with the knowledge that an opposite order or orders of substantially the same size at substantially the same time and at substantially the same price, have been or will be entered by or for the same or different persons with the intention of creating:
 - (i) a false or deceptive appearance of active trading in connection with;
or
 - (ii) an artificial market price for, that security;
 - (c) Approving or entering orders to buy a security traded on the floor of The Exchange at successively higher prices or orders to sell a security listed at successively lower prices for the purpose of unduly or improperly influencing the market price of such security;
 - (d) Approving or entering an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security traded on the floor of The Exchange;
 - (e) Approving or entering an order to buy or sell a security traded on the floor of The Exchange during any auctioning process and cancelling such order immediately prior to the market opening, for the purpose of creating or inducing a false or deceptive appearance of demand for or supply of such security;
 - (f) Effecting or assisting in effecting a market corner;
 - (g) Maintaining at a level that is artificial the price for dealing in securities traded on the floor of The Exchange;
 - (h) Employing any device or scheme to defraud any other person as a result of a transaction effected through the facilities of The Exchange; or
 - (i) Engaging in any act, practice or course of business in respect of dealings in securities traded on the floor of The Exchange which is deceptive or which is likely to have such effect.
- (3) Depending on all the circumstances of the case, including the severity of the conduct and any mitigating factors, The Exchange may impose all or any of the applicable

penalties in the sanctions schedule when it determines that a contravention has occurred, and cancel the affected trades based on inappropriate market behaviour.

73. Prohibition of Artificial Pegging of the Price of a Security

A Trading Member shall not, either alone or with any Trading Member or any other person effect or knowingly assist in effecting any series of transactions for the purchase or sale of a security, or the purchase or sale of any security for the purpose of artificially raising, lowering, maintaining, pegging or stabilizing the price of such security with intent to induce other persons to subscribe for, purchase or sell the security.

74. Prohibition of Insider Dealing

- (1) No Trading Member shall participate in any insider dealing in relation to any securities traded on The Exchange or knowingly assist any Trading Member or any other person to participate in such insider dealing.
- (2) This prohibition of Insider dealing shall include an Insider trading for his own account:
 - (a) An Insider who has inside information and who deals directly or indirectly or through an agent for his or her own account in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
 - (b) An Insider does not contravene if he or she:
 - (i) was acting in pursuit of the completion of an affected transaction; and
 - (ii) only became an insider after he or she had given the instruction to deal to a Trading Member and the instruction was not changed in any manner after he or she became an insider.
- (3) This prohibition of Insider dealing shall include an Insider who deals for another person:
 - (a) An insider that has inside information and who deals, directly or indirectly, for any other person in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
 - (b) An insider does not contravene this rule if such insider:
 - (i) is a Trading Member and was acting on specific instructions from a client, save where the inside information was disclosed to him or her by that client;
 - (ii) was acting on behalf of a public sector body in pursuit of monetary policy, policies in respect of exchange rates, the management of

- public debt or external exchange reserves;
- (iii) was acting in pursuit of the completion of an affected transaction; or
 - (iv) only became an insider after he or she had given the instruction to deal to a Trading Member and the instruction was not changed in any manner after he or she became an insider.
- (4) This prohibition of Insider dealing shall include an Insider who discloses inside information to another person:
- (a) An insider who has inside information and who discloses the inside information to another person contravenes this rule.
 - (b) Notwithstanding the foregoing, an insider does not contravene this rule if such insider proves on a balance of probabilities that he or she disclosed the inside information because it was necessary to do so for the purpose of the proper performance of the functions of his or her employment, office or profession in circumstances unrelated to dealing in any security traded on The Exchange.
- (5) This prohibition of Insider dealing shall include an insider who encourages or discourages another person to trade. An insider who has inside information and who encourages or causes another person to deal or discourages or stops another person from dealing in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
- (6) A Trading Member that knowingly deals in such securities as stated above shall be liable to any of the penalties imposed under applicable criminal laws in addition to any other sanctions that The Exchange may impose.
- (7) A Trading Member or a Trader shall immediately inform The Exchange if it or he/she reasonably suspects, or knows of, any attempted market manipulation, insider trading, or any other prohibited trading conduct.

75. Prohibition on Deceptive Trading Patterns

- (1) Prohibition on Churning Client Accounts: A Trading Member shall not:
- (a) Encourage clients to engage in securities trading activities that lack a reasonable investment purpose other than to generate transaction fees, commissions or rebates or other payments for the Trading Member;
 - (b) Provide false or misleading information or advice to clients that would induce the client to engage in a transaction of the type described in (a) above; or
 - (c) Break large client orders for a security into smaller executions that generate additional brokerage fees, commissions, rebates or other payments for the Trading Member (over and above the payments that

would accrue to the Trading Member if the order were executed in whole or in larger portions), unless the Trading Member can show a reasonable business purpose for handling the order in such manner.

(2) Prohibition on Other Fictitious or Deceptive Trading Patterns:

- (a) A Trading Member shall not, with respect to trading on Securities, engage in transactions whose primary purpose is to:
 - (i) Create a false, misleading or artificial appearance of trading activity in such security;
 - (ii) Unduly or improperly influence the market price for such security;
 - (iii) Create a price for such Security that does not reflect the true state of the market or actual supply and demand among investors;
 - (iv) Change the price of a Security for personal benefit, or to evade or decrease taxes; or
 - (v) Evade otherwise applicable laws, regulations, Exchange rules, credit limits, codes of ethics or similar restrictions.
- (b) A Trading Member violates this sub-rule (2.) if, for the primary purpose described therein, it:
 - (i) Enters orders to buy a security at successively higher prices, or orders to sell securities at successively lower prices;
 - (ii) Leaks large client orders for a security into smaller executions;
 - (iii) Executes any transaction in such security which involves no change in the beneficial ownership thereof;
 - (iv) Enters an order at or near the close of the market that has the intention and effect of changing or maintaining the closing price of such security;
 - (v) Enters an order to buy or sell any security and cancel such order immediately prior to its execution;
 - (vi) Advises clients to buy or sell a particular security while the Trading Member is selling or buying the same security for itself directly or through a related party, without disclosing that fact to the client;
 - (vii) Enters orders whose effect is to change the price of a security to an artificial price that was previously agreed upon between the Trading Member and other parties; or

- (viii) Engages in other conduct not specified herein but that has the same or similar effects on the market as those described in this rule.
- (3) Prohibition of Transactions with Intention to Defraud: A Trading Member shall not directly or indirectly, in connection with any transaction with any person, involving the purchase or sale of Securities, employ any device or scheme to defraud that person, or engage in any act, practice, or course of business which operates or is likely to operate as a fraud or deception.
- (4) Prohibition of Payments and Gratuities to Influence Decisions: All Trading Members shall comply with all anti-corruption laws and regulations in force which prohibit the giving, promising, offering, requesting, agreeing to receive, or receiving, either directly or indirectly, a bribe, gratuity or anything of value (whether tangible goods or intangible services or consideration) for the purpose of influencing any decision or obtaining an improper advantage.
- (5) Prohibition of Unauthorised Verification of Securities: Any Trading Member that acted solely or in connivance with another, verifies shares owned by any other person without authorisation, shall be liable to sanctions as prescribed by The Exchange.
- (6) Prohibition of Transactions with Suspended Trading Member: A Trading Member shall not transact with another Trading Member whose Membership Certificate has been suspended except as approved by The Exchange.
- (7) Prohibition of Circulation of False or Inaccurate Information
- (a) Any Trading Member that circulates or disseminates or authorizes or assists in the circulation or dissemination of any false statement or information to the effect that the price of any Securities will or is likely to rise or fall when, to his knowledge, the rises or falls or likely rises or falls are attributed to such inaccurate information, if circulated by the Trading Member would be in contravention of this Rule.
- (b) A Trading Member shall not circulate or disseminate or authorise or assist in the circulation or dissemination of false, misleading or inaccurate information concerning market information or conditions including but not limited to Exchange programmes that affect or tend to affect the price and/or liquidity of any Securities.
- (c) A Trading Member that knowingly disseminates false, misleading or inaccurate information as stated above shall be liable any sanction as may be prescribed by The Exchange.

76. Confidentiality of Information

- (1) A Trading Member shall respect the confidentiality of information entrusted to it

by its clients and shall not disclose any such information to a third party without the specific authority of its client unless:

- (a) It knows or suspects its client to have committed the offence of treason, money laundering, terrorists financing or drug trafficking and any other felonies. The duty to disclose is obligatory on the Trading Member in these circumstances; or
 - (b) The disclosure is reasonably necessary to protect the interest of the Trading Member or to enable the Trading Member sue for its brokerage income or fees or to defend an action instituted against it.
- (2) A Trading Member is obliged to disclose to The Exchange any share purchases for a client which is within the threshold or above, of the share capital of the Issuer stipulated by The Exchange.

77. Records of Orders

- (1) A Trading Member shall ensure that a daily record of orders received from clients is maintained. Details of such record shall include but not limited to trading account identification of each client, identity of the Trader, the specific order, date and the time the order was received, transmitted, amended and executed or cancelled. The record may be electronically stored.
- (2) A Trading Member shall have adequate security measures in place to prevent unauthorized access to and/or tampering and preservation of the audit trail of orders entered into the Trading System.

Article 11 – Defaults and Insolvency

78. **Prohibition of Defaults**

- (1) No Trading Member shall default on a transaction with another Trading Member, client, settlement bank and any other capital market operator or service provider.
- (2) A Trading Member shall be deemed to be in default if it is unable to meet its financial or other commitments to another Trading Member, client, settlement bank and any other capital market operator or service provider, arising out of a legitimate transaction.
- (3) Any Trading Member that contravenes this rule shall be suspended immediately and shall be liable to any other sanctions that The Exchange may impose.
- (4) Any suspension imposed shall be lifted when the defaulting Trading Member furnishes The Exchange with proof that any outstanding payment, charges, fees, or interest arising therefrom have been fully settled, or parties to the transaction have reached an agreement to settle, and the Trading Member has complied or is complying with the settlement terms.

79. **Notification of Insolvency or Event of Default**

- (1) When a Trading Member is unable to fulfil its obligation, it shall notify The Exchange in writing to that effect.
- (2) In the event that a:
 - (a) Trading Member fails duly to perform or is, in the opinion of The Exchange, in breach of any provision of this Rules or of any agreement, understanding or arrangement which the Trading Member has from time to time with another Trading Member, client, settlement bank and any other capital market operator or service provider;
 - (b) Trading Member, not exempted, ceases to hold a valid Capital Markets Services License under the Securities Law or ceases to be authorized to conduct business as a Securities Dealer and Broker in Somalia pursuant to relevant sections of the Securities Law;
 - (c) Trading Member is insolvent or is deemed insolvent pursuant to the Rules of Exchange;
 - (d) In view of the Trading Member's financial or operating conditions, Exchange, in its absolute discretion, considers it necessary or desirable to protect the interests of the Clients of the Trading Member, the interests of other Trading Members and or the interest of the investing public; or
 - (e) Conversion, theft, breach of trust, embezzlement, or any other similar cause, caused or suffered by or in connection with a Trading Member;

- (3) The Exchange shall be entitled, at its absolute discretion, then or at any time thereafter, whether or not such event is, in the opinion of The Exchange, continuing, to declare that an event of default has occurred and to give notice thereof to Trading Members and the Authority.
- (4) Any Trading Member that has a transaction with another Trading Member in which such other Trading Member is in default, shall forthwith notify The Exchange in writing of such default.
- (5) After receipt by The Exchange of a Trading Member's notification of a defaulting transaction or notification of insolvency, no arrangement shall be entered into by the defaulting Trading Member in respect of its liabilities arising from its activities as a Trading Member without the approval of The Exchange.

80. Claims not to be Sold, Assigned or Pledged

No Trading Member, being a creditor of a defaulter, shall sell, assign or pledge his claim against such a defaulter to any non- Trading Member without the prior consent of The Exchange.

81. Powers of The Exchange in the Event of Default

- (1) In all cases of default, The Exchange shall set-up an appropriate Committee which shall have the following powers:
 - (a) To engage technical and professional assistance that may necessarily be required;
 - (b) To call from the defaulter its original Books of Account and such records relating to, and a statement of sums owing to, and by it in connection with stockbroking transactions;
 - (c) To call meetings of Trading Members who are creditors or defaulters;
 - (d) To summon the defaulters to appear before such meetings of the
 - (e) Committee and to afford the defaulter full right to defend himself before the Committee throughout the investigation;
 - (f) To make detailed examinations of all relevant accounts;
 - (g) To report to The Exchange any entry, transaction or matter which have been or appear to be irregular;
 - (h) To recommend to The Exchange the appointment of an interim management to manage and deal with the stockbroking business of the defaulter and the assets subject to the approval of the Authority;
 - (i) Any other matter incidental to the investigation.
- (2) To facilitate a smooth and efficient resolution of the default and insolvency by the Committee, the defaulting Member shall, when called upon to do so in accordance

with these Rules:

- (a) Render all assistance as the Committee requires, including without limitation making available the defaulting Trading Member's premises, systems and officers;
 - (b) Provide the Committee with information, books, records and statement of all sums owing to and by it in connection with such business at the time of the default and any other relevant documents and information which Committee may require; and
- (3) Comply with all other requirements that the Committee may specify (3) The Committee set up under this Rule shall cause a notice to be sent to all Trading Members and the Authority advising them of the name of the defaulting Trading Member and requiring all those having claims against such defaulter to file such claims with the Committee by a date to be stated in the notice.
- (4) The Trading Member and their Registered Individuals, as required by The Exchange shall appear before the Committee when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.
- (5) When required by the Committee a Trading Member and/or its Registered Individuals, Directors or Traders shall supply to it, a sworn declaration (in such form as The Exchange may prescribe) of its private financial position.

82. Disclaimer

Without prejudice to the generality of these Rules, The Exchange shall not be liable to any Trading Member or any Third Party in respect of any damage, loss or cost of whatsoever nature (whether direct, indirect, special or consequential, including without limitation any loss of business, revenue, goodwill, bargain or profit), suffered or incurred by such Trading Member or Third Party, arising out of or in connection with the declaration or non-declaration of an event of default by The Exchange.

SCHEDULE OF ADMINISTRATIVE SANCTIONS TRADING RULES

- (1.) The administrative sanctions applicable for the violation of the provisions of the Rulebook of the Ethiopian Securities Exchange, 2024 (Trading Rules) shall be as contained in this schedule.
- (2.) Where the name of a Rule or other naming convention changes, the name or naming convention shall be deemed automatically changed in this sanctions schedule.
- (3.) Where any suspension is placed in connection to a violation, such suspension shall only be lifted where all obligations, related or unrelated, have been settled.

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
Client Accounts	2.1. Know Your Client (KYC) and Customer Due Diligence (CDD)	USD 200 – 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; Revocation of Membership Certificate; Blacklisting; and/or Referral for criminal prosecution.	USD 100 – 150 per violation Temporary/permanent deregistration/removal; Blacklisting; and/or Referral for criminal prosecution.	N/A
	2.2. Supervision of Client Accounts	USD 200 – 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	USD 100 – 150 per violation; and/or Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A
	2.3. Confirmation of Orders and Mandate	USD 200 – 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or The applicable sanction for violating the provisions of Article 20 – Order Handling and Best Execution	USD 100 – 150 per violation; Temporary/permanent deregistration/removal; Blacklisting; and/or The applicable sanction for violating the provisions of Article 20 – Order Handling and Best Execution	A repeat offender within a period of one (1) year shall be liable to a suspension for at least twenty (20) business days.

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	2.4. Maintenance and Segregation of Client's Account	USD 200 - 400 per violation; and Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	2.5. Monthly Financial Statement of Account to Clients	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	USD 100 - 150 per violation; and/or Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A
Client Assets	3.1. Use and Segregation of Client Funds	USD 200 - 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; Revocation of Membership Certificate; Blacklisting; and/or Referral for criminal prosecution.	USD 100 - 150 per violation; Temporary/permanent deregistration/removal; Blacklisting; and/or Referral for criminal prosecution.	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	3.2. Misappropriation of Clients Funds	<p>USD 200 – 400 per violation;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>USD 100 – 150 per violation;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution</p>	<p>For a Trading Member, USD 100 for each day from when the firm is sanctioned by The Exchange until the Trading Member completes the payment of the fine.</p>
	3.3. Unauthorized Sale of Securities	<ul style="list-style-type: none"> • USD 200 – 400 per violation or • three (3) times the value of the sale or transfer, whichever is higher; • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; • Revocation of Membership Certificate; • Blacklisting; and/or • Referral for criminal prosecution. 	<p>USD 100 – 150 per violation;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>For a Trading Member, USD 100 for each day from when the firm is sanctioned by The Exchange until the Trading Member completes the payment of the fine.</p>
	3.4. Discretion in Client Accounts	<p>USD 200 – 400 per violation; and/or</p> <p>Suspension for at least ten (10) business days or until the</p>	<p>USD 100 – 150 per violation; and/or</p> <p>Temporary/permanent deregistration/removal;</p>	<p>N/A</p>

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
		violation is remedied, whichever occurs last.	and/or Blacklisting.	
	3.5. Payments for Purchase or Sale of Securities	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	USD 100 - 150 per violation; and/or Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A
Order Handling and Best Execution	All Rules in Chapter 4 - Order Handling and Best Execution, excluding Rule 4.9. Audit Trail Requirements	USD 200 - 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or Blacklisting.	USD 100 - 150 per violation; Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A
	4.9. Audit Trail Requirements	USD 200 - 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or Blacklisting.	N/A	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
Error Trades and Orders	All Rules in Chapter 5 - Error Trades and Orders	USD 200 – 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or Blacklisting.	USD 100 – 150 per violation; Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A
Prohibited Activities	6.1. Prohibition of Business Relationship Based on Guarantee	1 USD 200 – 400 per violation violation; <ul style="list-style-type: none"> • Suspension for at least ten (10) business days or until the Violation is remedied, whichever occurs last; • Revocation of Trading License; • Blacklisting; and/or Referral for criminal prosecution. 	USD 100 – 150 per violation; <ul style="list-style-type: none"> • Temporary/permanent deregistration/removal; • Blacklisting; and/or • Referral for criminal prosecution. 	For a Trading Member, USD 100 for each day from when the firm is sanctioned by The Exchange until the Trading Member completes the payment of the fine
	6.2. Prohibition of Preferences	The applicable sanction for violating the provisions of the Article 4 - Order Handling and Best Execution, Rulebook of the Trading Rules.		

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	6.3. Prohibition of Transacting with Clients in Default	USD 200 – 400 per violation	N/A	A repeat offender within a period of one (1) year shall be liable to a suspension for at least ten (10) business days.
	6.4. Facilities and Data of The Exchange	USD 200 – 400 per violation	N/A	A repeat offender within a period of one (1) year shall be liable to a suspension for at least ten (10) business days.
The Exchange's Trading Operations	7.2. Trading Requirements	Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	7.3. Maintenance of Trading Systems	Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	7.7. Use of Trading System Access Codes	Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	Temporary/permanent deregistration/removal; and/or Blacklisting.	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	7.8. Restrictions and Limitations	<p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or</p> <p>Payment of damages as may be claimed by The Exchange for theft/misuse/unauthorized use of The Exchange's property.</p>	<p>Temporary/permanent deregistration/removal; and/or</p> <p>Payment of damages as may be claimed by The Exchange for theft/misuse/unauthorized use of The Exchange's property.</p>	N/A
	7.9. Dealing in Blocks of Shares	<p>USD 200 - 400 per violation; and/or</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.</p>	N/A	N/A
	7.11. Transfer of Title	<p>USD 200 - 400 per violation; and/or</p> <p>Suspension for at least ten (10) business days or until the Violation is remedied, whichever occurs last.</p>	N/A	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	7.12. Short Selling	<p>USD 200 – 400 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>USD 100 – 150 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and</p> <p>Referral for criminal prosecution.</p>	N/A
	7.15. Other Miscellaneous Provisions	<p>USD 200 – 400 per violation; and</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.</p>	<p>USD 100 – 150 per violation;</p> <p>Temporary/permanent deregistration/removal; and/or</p> <p>Blacklisting.</p>	N/A
Rules on Online and Digital Trading Portals	All Rules in Chapter 8 – Rules on Online and Digital Trading Portals	<p>USD 200 – 400 per violation; and</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.</p>	<p>USD 100 – 150 per violation;</p> <p>Temporary/permanent deregistration/removal; and/or</p> <p>Blacklisting.</p>	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
9 Clearing and Settlement	9.1. Delivery and Settlement of Securities and Proceeds	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	9.2. Delivery of Transfer Instruments	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	9.3. Genuineness and Regularity of Documents	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	9.4. Verification of Transfer	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	9.5. Duty to Report Failed Transaction	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the Violation is remedied, whichever occurs last.	N/A	N/A
	9.6. Defective Transfer	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	9.8. Contribution to the Settlement Guarantee Fund	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
Conduct of Trading Members	10.1. General Conduct	USD 200 – 400 per violation; Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; Revocation of Membership Certificate; Blacklisting; and/or Referral for criminal prosecution.		
	10.2. Duty of Reporting to The Exchange	Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	10.3. Trading Floor Dress Code, Identification Badges and Access Control Cards for Authorized Traders	Written caution/warning; USD 200 – 400 per violation;	Written caution/warning;	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
		Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; Revocation of Membership Certificate; Blacklisting; and/or Referral for criminal prosecution.	USD 100 - 150 per violation; Temporary/permanent deregistration/removal; Blacklisting; and Referral for criminal prosecution.	
	10.4. Trading Floor Conduct	Written caution/warning; and Payment for any related damages.	Written caution/warning; USD 100 - 150 per violation; Temporary/permanent deregistration/removal; Blacklisting; and Referral for criminal prosecution.	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	10.6. Front Running and Trading Ahead of Clients	<p>USD 200 – 400 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>USD 100 – 150 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and</p> <p>Referral for criminal prosecution.</p>	N/A
	10.7. Prohibition of Market Manipulation and Illegal Market Dealings	A fine equivalent to three (3) times the amount of profit or gain derived which shall be paid no later than ten (10) business days after the fine is imposed by The Exchange, failing which	A fine equivalent to three (3) times the amount of profit or gain derived which shall be no later than ten (10) business days after the	

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
		<p>an additional sum amounting to three per cent (3%) of the fine per day shall be payable from the eleventh business day after notification until the date of payment;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate/ Withdrawal of Registration;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>fine is imposed by The Exchange, failing which an additional sum amounting to three per cent (3%) of the fine per day shall be payable from the eleventh business day after notification until the date of payment;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	
	10.8. Prohibition of Artificial Pegging of Securities	USD 200 - 400 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing	USD 100 - 150 per violation, or a fine of 5% per cent of the total transaction value and any benefit	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
		<p>from such transaction, whichever is higher;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>accruing from such transaction, whichever is higher;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and</p> <p>Referral for criminal prosecution.</p>	
	10.9. Prohibition of Insider Dealing	<p>A fine equivalent to three (3) times the amount of profit or gain derived which shall be paid no later than ten (10) business days after the fine is imposed by The Exchange;</p> <p>Suspension for at least ten (10) business days or until the</p>	<p>A fine equivalent to three (3) times the amount of profit or gain derived which shall be no later than ten (10) business days after the fine is imposed by The Exchange;</p>	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
		<p>violation is remedied, whichever occurs last;</p> <p>Revocation of Membership Certificate/ Withdrawal of Registration;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	
	10.10. Prohibition on Deceptive Trading Patterns	<p>USD 200 – 400 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last;</p>	<p>USD 100 – 150 per violation, or a fine of 5% per cent of the total transaction value and any benefit accruing from such transaction, whichever is higher;</p> <p>Temporary/permanent deregistration/removal;</p> <p>Blacklisting; and</p>	N/A
		<p>Revocation of Membership Certificate;</p> <p>Blacklisting; and/or</p> <p>Referral for criminal prosecution.</p>	<p>Referral for criminal prosecution.</p>	

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	10.11. Confidentiality of Information	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
	10.12. Records of Orders	USD 200 - 400 per violation; and/or Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last.	N/A	N/A
11	All Rules in Chapter 11 - Defaults and	USD 100 for each day of default or each day the entity	N/A	N/A
Defaults and Insolvency	Insolvency	fails to notify The Exchange for a maximum of 30 days; Suspension until the violation is remedied; Revocation of Membership Certificate; and/or Blacklisting.		