



NATIONAL SECURITIES EXCHANGE OF

SOMALIA

MEMBERSHIP RULES

2025

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PART I - TRADING MEMBERS

Article 1 – Category of Trading Members

1. Short Title

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

2. Scope of Application

The Rules prescribed under this Volume 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.

3. Categories of Trading Members

- (1) Admission as Trading Members shall be given to the following categories:
 - (a) Securities Broker;
 - (b) Securities Dealer;
 - (c) Securities Broker Dealer;
 - (d) Securities Broker (Investment Bank);
 - (e) Dealing Member Bank that is registered as a bank with the CBS;
 - (f) Any other category as may be specified by The Exchange from time to time.
- (2) Notwithstanding the above, The Exchange may from time to time categorize Membership Certificates in such categories as The Exchange deems relevant for the different segments of its market, for issuance to interested and eligible entities.
- (3) A Digital Sub-Broker shall not be admitted by The Exchange, and shall not be treated as a Trading Member of The Exchange.
- (4) A Trading Member shall operate within the parameters and restrictions provided by The Exchange and such licensing or registration Directives or requirements of the Authority.
- (5) Every Trading Member shall meet the minimum operating requirements and standards as prescribed by The Exchange from time to time for the following:
 - (a) Personnel;

- (b) Organizational structure;
- (c) Governance;
- (d) Technology;
- (e) Infrastructure;
- (f) Policies and processes; and
- (g) Competitiveness.

Article 2 – Admission Procedures

4. Authority to Admit Members

- (1) The Exchange shall have the sole authority to admit Members in accordance with the provisions of these Rules.
- (2) The Exchange shall have the sole discretion to specify limitations with respect to the number of admitted Members at a time.
- (3) An entity that has been admitted as a Member shall engage only in dealings that support the operation of a fair and orderly market.
- (4) The Exchange may suspend and/or revoke the Membership of a Trading Member if it finds any substantial or continued failure by a Trading Member.

5. Application for Admission to Membership

- (1) An application for Membership shall be made in such manner as may be prescribed by The Exchange.
- (2) Only a Capital Market Service Provider, licensed by the Capital Market Authority shall be eligible to apply for Membership.
- (3) Where an applicant has met the requirements for admission as a Member, The Exchange will grant an Approval- In-Principle (AIP) to the applicant, and this shall be valid for six (6) months only or for such shorter or extended period as may be decided by The Exchange, during which time the applicant is expected to complete the requirements for commencement of operations.
- (4) An AIP shall be converted to a full Membership only when The Exchange has conducted a Certification Inspection, and the applicant proves that it has met all the requirements for the commencement of operations.
- (5) Upon fulfilling the requirements for commencement of operations as a Trading Member, a Membership Certificate shall be granted.

6. Requirements for Approval-In-Principle

- (1) Any business organization applying for Membership shall:
 - (a) Have a Capital Market Service Provider license from the Authority, or an ongoing application to the same.
 - (b) Have the professional and technical capacity to conduct trading business in the services it is a member for;
 - (c) Satisfy the qualification criteria prescribed in these Rules; and
 - (d) Provide the relevant documents required to support its application.

- (2) The applicant shall provide the following in evidence:
 - (a) A copy of the certificate of commercial registration and/or investment permit issued by the relevant government body;
 - (b) A copy of the Capital Market Service Provider license issued by the Authority, if issued;
 - (c) Applicable incorporation documents, including the Memorandum of Association and amendments thereof, showing the shareholders, directors or partners, as may be applicable, and capital of the applicant as at the date of filing the application;
 - (d) Relevant incorporation or corporate documents specifying the details of the individual beneficial owners of such shareholder as at the date of filing the application, where the applicant has a business organization as an investor or substantial shareholder;
 - (e) List of individuals and entities with significant influence in the applicant business organization;
 - (f) Board resolution approving the decision to obtain Trading Membership;
 - (g) Corporate profile of the applicant, including the composition of its Board of Directors and other proposed Registered Individuals;
 - (h) Board charter of the applicant, where applicable;
 - (i) A Business Plan which shall contain amongst others, the business strategy and objectives of the applicant stating the long term objectives of the business organization and services to be rendered;
 - (j) Organogram of the applicant clearly delineating the reporting lines;
 - (k) Confirmation that Senior Executive Officers have the requisite qualifications and details of the proposed Registered Individuals who meet the fit and proper criteria for their role or function as specified by the NSES as may be in effect at the time of filing the application;

- (l) Attestation that the applicant or its investors, Directors or Officers:
 - (i) have never mismanaged, either fully or partially, any fund and has not been subject of an involuntary liquidation proceeding or the regulatory delisting of a company;
 - (ii) have not been owner, partner, director or key personnel of a business which was declared bankrupt;
 - (iii) have not been involved in a conviction in a criminal proceeding or are not named subjects of pending criminal proceedings relating to fraud or dishonesty;
 - (iv) have not been the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining them from acting as investment advisers, dealers in securities, directors or employees of financial institutions and engaging in any type of business practice or activity;
 - (v) Proof of payment of the applicable fees prescribed by The Exchange which are in effect on the date of filing the application;
 - (m) Financial Statements for the financial year immediately preceding the date of filing the application where the applicant has operated for a period of twelve (12) months or more as at the date of filing the application, and a Management Account as at the end of the month immediately preceding the date of filing the application where a period of three (3) or more months has passed since the end of the aforementioned financial year. The Management Account shall be duly signed by a Public Accountant;
 - (n) Audited Statement of Affairs as at the end of the month immediately preceding the date of filing the application where the applicant has operated for a period of less than twelve (12) months as at the date of filing the application;
 - (o) Address of the applicant's registered office and proposed Head Office (if different from its registered office) and any other office the applicant intends to operate from; and
 - (p) Attestation of willingness and capacity on the part of the Trading Member to comply with the provisions of the Securities Law, Authority's Directives, The Exchange's Rules and Regulations, and other applicable regulations.
- (3) An Approval-In-Principle (AIP) will be granted to an applicant where

upon The Exchange has conducted:

- (a) An evaluation of its application, documents submitted in support of its application; and
 - (b) An interview of its investors, members of the board of directors and top management.
- (4) An AIP will be valid for a period of six (6) months during which time the applicant company shall be expected to put in place all the requirements for the commencement of operations, and request in writing to The Exchange to be permitted to commence operations.
- (5) Where an applicant has been granted an AIP and has not met the requirements for the commencement of operations within 6 (six) months of the grant, The Exchange shall at its discretion grant an extension of no more than three (3) months after which the AIP shall be revoked, subject to the provisions of sub- rule (6.) of this Rule.
- (6) Notwithstanding the provisions of sub-rule (5.) of this Rule, The Exchange may extend the validity of the AIP beyond the additional three (3) months where the need for the extension is as a result of a pending activity at the Authority, provided that the applicant has fulfilled all its requirements/obligations relating to the pending activity at the Authority.

7. Certification of a Member to Commence Operations

- (1) For eligibility to commence operations as a Trading Member, an applicant must provide the following documents:
- (a) A valid Capital Market Services License issued by the Authority to trade in securities;
 - (b) Copy of the letter of registration of the requisite personnel as Appointed Representatives from the Authority;
 - (c) Undertaking by the applicant and its proposed Registered Individuals as at the date of filing the application;
 - (d) Sample of client account opening forms, where applicable, which shall include but not be limited to applicable KYC requirements;
 - (e) Status of compliance with technology, internal control and risk management requirements specified by The Exchange;
 - (f) Details of its operating systems in place to conduct its business;
 - (g) Evidence of registration with a central securities depository, or its equivalent; and
 - (h) The business systems and procedures in place to properly conduct

its business.

- (2) The applicant shall provide proof of opening of the following bank accounts:
 - (a) A clients' bank account, clearly delineated as such, with respect to funds to be received from or on account of clients, and funds to be paid to or on account of clients, where the applicant is to be Securities Broker or Securities Broker Dealer.
 - (b) A proprietary bank account, clearly delineated as such, with respect to securities transactions from or on account of the applicant, where the applicant is to be Securities Dealer or Securities Broker Dealer; and
 - (c) An operational bank account, clearly delineated as such, with respect to funds to be received from or on account of the applicant, and funds to be paid to or on account of the applicant.
- (3) The applicant shall provide evidence of compliance with:
 - (a) Any other regulatory and supervisory requirements specified by The Exchange in these Rules or any other regulation as may be in effect at the time of filing the application; and
 - (b) Any other requirement as may be determined by The Exchange from time to time.
- (4) The Exchange may approve an application subject to such conditions or restrictions as it may deem appropriate including but not limited to restrictions on the applicant's scope of business and operations.
- (5) The Exchange shall inform the applicant of the imposition or withdrawal of any approval condition in writing.
- (6) Upon meeting the requirements set forth in this Rule, The Exchange shall conduct a pre-certification inspection on the applicant to confirm that the applicant has met all the conditions and requirements to commence operations.
- (7) Upon fulfilment of the conditions of the pre-certification inspection, the application shall be approved and the applicant shall be admitted as a Member to commence operations.
- (8) An applicant that is admitted shall be notified of the effective date of its Membership, and shall have its name entered into the Register of Trading Members.

8. Proprietary Interest of The Exchange over Membership Certificates

- (1) The Exchange shall retain sole proprietary interest over any Membership

Certificate issued and each Certificate shall be returned or relinquished to The Exchange immediately in the event of the following:

- (a) A demand made by The Exchange made on justifiable grounds;
 - (b) The revocation of the Membership Certificate;
 - (c) Voluntary surrender by the Trading Member; and
 - (d) Winding up, liquidation or receivership of a Trading Member.
- (2) Membership of The Exchange shall not form part of a Trading Member's assets applied towards the settlement of its liabilities but shall immediately be returned to The Exchange and the proprietary interest thereon shall immediately revert to The Exchange.

9. Cessation of Trading Rights

- (1) A Trading Member's right to access The Exchange's markets shall cease and it shall not enter any orders on such markets if:
- (a) A resolution is passed by its shareholders, or a court order is made, to wind it up, or any judicial manager or similar official is appointed in respect of it;
 - (b) An arrangement or composition is entered into with its creditors under any law relating to bankruptcy or insolvency;
 - (c) Its Services License issued by the Authority lapses or is suspended, or it no longer meets the Authority's licensing requirements or is no longer exempted from holding a Services License by the Authority, as the case may be;
 - (d) It is not registered with a central securities depository or other clearing or settlement-related entity or its registration in this regard has been suspended;
 - (e) It is declared a defaulter by The Exchange; or
 - (f) It is suspended by The Exchange.
- (2) A Trading Member whose right to access The Exchange's markets is suspended shall continue to comply with the relevant Rules.
- (3) Such Trading Member shall remain liable for all obligations incurred in connection with its activities on The Exchange.

10. Status of a Trading Member

- (1) Under no circumstances shall a Trading Member cease to carry out its day-to-day business activities for which it was admitted as a Trading

Member to operate, without any reasonable cause.

- (2) Where a Trading Member is inactive, whether voluntary or involuntary, for a period of one (1) calendar year, The Exchange shall revoke the Membership Certificate of the Trading Member.
- (3) A Trading Member shall be considered inactive under the following circumstances:
 - (a) Voluntary Inactivity: where the Trading Member has not recorded any trading activity without being suspended by The Exchange or the Authority.
 - (b) Involuntary Inactivity: where the firm has been suspended by The Exchange for any infraction.

11. Relinquishment of Membership

- (1) Any Trading Member that wishes to relinquish its Membership shall give The Exchange at least three (3) months' notice of its intention to do so, in writing.
- (2) A copy of the notice of relinquishment shall be posted via the applicable portal or medium of The Exchange and on The Exchange's website.
- (3) Trading Members shall advise The Exchange in writing of any outstanding debts, obligations, and commitments of the relinquishing Trading Member and of any outstanding dealings and transactions in which it may be concerned.
- (4) The Exchange, in its sole discretion, may:
 - (a) Accept such relinquishment unconditionally; or
 - (b) Accept the relinquishment subject to ensuring that all obligations to clients have been met, and all transactions have been settled.
- (5) Upon submitting its Notice of relinquishment, the Trading Member forfeits its right to carry out any trading activity, except in relation to achieving the objectives of sub-rule (4) of this Rule.

Article 3 – Control, Ownership and Significant Influence

12. Requirements for Pre-Approval and Pre-Notification

- (1) A Trading Member shall inform The Exchange in writing to request for an approval as soon as it becomes aware of a formal decision to undertake or proceed with:
 - (a) Any transaction that will or may result in a change in the legal or beneficial ownership of 5% or more of the Trading Member's issued share capital; and
 - (b) Any change that will or may have the effect of altering control of the Trading Member.
- (2) A Trading Member shall notify The Exchange in writing at least ten (10) business days before engaging in, or acquiring or holding any substantial shareholding or interest in any other business.
- (3) A Trading Member shall notify The Exchange in writing at least thirty (30) business days before changing its business name, relocating its head office, establishing a branch office, relocating a branch office, and/or closing a branch office.

13. Change in the Legal or Beneficial Ownership

- (1) Where an entity wishes to acquire five per-cent (5%) or more in the shareholding of a Trading Member, the following shall be required:
 - (a) The Trading Member shall request for an approval in the change of its shareholding structure stating the specific number and percentage of shareholding to be acquired; and
 - (b) The following documents shall be submitted along with the application:
 - (i) Where the prospective acquirer is an individual, an application by the individual or The Trading Member to The Exchange requesting approval to obtain the stated shareholding;
 - (ii) Where the prospective acquirer is a share company or private limited company, a Board resolution approving the proposed acquisition;
 - (iii) Where the prospective acquirer is a partnership, provide a Partners' resolution approving the proposed acquisition;
 - (iv) A copy of the duly executed share purchase or transfer

agreement between the prospective acquirer and the seller;

- (v) Proposed changes in the directorship and management of the firm;
- (vi) Relevant undertaking to be signed by new directors and members of senior management of the firm (If there are changes);
- (vii) Police Clearance Certificate in respect of new directors and Senior Executive Officers not registered with the Authority, issued by the applicable regulatory authority, statutory body and/or agency;
- (viii) Evidence of payment of the regulatory fee(s) as prescribed by The Exchange; and
- (ix) Any other document or information as may be required by The Exchange.

- (2) The Exchange shall only consent to the change in the legal or beneficial ownership of a Trading Member where:
 - (a) The whole of the undertaking or any part of the undertakings or interest and the property, assets and liabilities of the transferor are being transferred to the transferee or acquiring entity; and
 - (b) The Exchange is satisfied that in order to protect clients, sufficient provision has been made to cover the obligations of the transferor.

14. Engagement in Other Business by a Trading Member

- (1) Where a Trading Member wishes to engage in, acquire or hold any substantial shareholding or interest in any other business, the following shall be required:
 - (a) The Trading Member shall pre-notify The Exchange within the timeline specified by The Exchange; and
 - (b) The following documents shall be submitted along with the notification in respect of the other business:
 - (i) Details of the other business, including but not limited to the corporate profile, business objectives and activities, registered office, head office (if different from its registered office), any other office the business operates or intends to operate from;
 - (ii) Relevant financial information as may be required by The

Exchange; and

- (iii) Any other document or information as may be required by The Exchange.
- (2) The Trading Member shall ensure that none of its proposed engagements or shareholding or interest breach the Securities Law, Directives of the Authority, Rules of The Exchange and any other applicable law or regulation.
 - (3) Trading Members shall make full and fair disclosure to The Exchange on all matters that could reasonably impair their objectivity or conflict with their obligations to prospective or existing clients, or to The Exchange.
 - (4) The Exchange may, at its discretion, object to any such engagement or acquisition of shareholding or interest, in which event the Trading Member shall not proceed with the engagement or acquisition of shareholding.
 - (5) The Exchange may, at its discretion, impose conditions and restrictions on any engagement or acquisition of shareholding or interest.
 - (6) If in The Exchange's opinion, an engagement or shareholding or interest, is detrimental to the financial integrity, reputation or interests of The Exchange, its markets, or the Trading Member concerned, The Exchange may impose or vary conditions connected with the engagement, or require the Trading Member to terminate the engagement, divest the shareholding or withdraw interest.
 - (7) A Trading Member shall have in place controls and processes to ensure that its Registered Individuals do not engage in, or acquire or hold any substantial shareholding or interest in, any other business that:
 - (a) Involves a breach of the Securities Law, Directives of the Authority, the Rules of The Exchange or any applicable law or regulation; or
 - (b) Is detrimental to the financial integrity, reputation or interests of The Exchange, its markets, or the Trading Member concerned.

15. Establishment of a Branch Office

- (1) Where a Trading Member wishes to establish a branch office, the following shall be required:
 - (a) The address and location of the proposed branch office;
 - (b) Evidence of approval from the Authority to establish the branch office, including details of the personnel that shall be responsible for managing the branch office;

- (c) A copy of the supervisory policy of the Trading Member regarding its branch offices;
 - (d) Evidence of payment of appropriate fees to The Exchange for the on-site pre certification inspection of the branch office(s), where a pre-certification inspection is deemed necessary by The Exchange; and
 - (e) Any other information or document as may be required by The Exchange.
- (2) The Trading Member's branch office shall form part of the Trading Member's business and as such, all the provisions in these Rules shall apply, including but not limited to:
- (a) The proper segregation of duties at the branch office;
 - (b) The branch office carrying a signage indicating the name of the Trading Member;
 - (c) Safe record keeping; and
 - (d) Routine and ad-hoc on-site inspections of branch offices with or without notice to the Trading Member.
- (3) No Trading Member shall establish a branch office without obtaining a No- Objection in writing from The Exchange.
- (4) Each office, department or business activity of a Trading Member shall be under the supervision and control of the Trading Member establishing it and of the personnel delegated such authority and responsibility.
- (5) The Board of Directors of each Trading Member shall provide for appropriate supervisory control and shall designate a senior member of its management who shall assume authority and responsibility for internal supervision and control of the branch and compliance with all applicable laws and regulations. This officer shall:
- (a) Delegate to qualified employees' responsibility and authority for supervision and control of each office or department, and provide for appropriate procedures of supervision and control; and
 - (b) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.
- (6) Only senior Securities Traders or Registered Individuals sufficiently experienced or trained in supervisory and operating procedures and controls of a Trading Member are qualified persons acceptable to The Exchange to be in charge of any office of a Trading Member, except stipulated otherwise by The Exchange in writing.

- (7) Trading Members' foreign branch offices shall only be established with prior approval of The Exchange and continuation of the arrangement shall be subject to any changes in the Rules of The Exchange as may be thereafter adopted.
- (8) For the purposes of these Rules, the term "foreign branch office" shall include any independently organized foreign location:
 - (a) from which the services of the Trading Member are being made available, or
 - (b) for which the financial resources of the Trading Member are being utilized in the operation of the office, or
 - (c) as to which either of the above is held out, respectively, as available or being utilized.

16. Relocation or Closure of an Office

- (1) Where a Trading Member wishes to relocate or close an office, the following shall be required:
 - (a) Not less than thirty (30) calendar days' notice of the proposed closure or relocation with clear and specific reasons;
 - (b) Details of the address and location of the proposed new office location, in the case of a relocation;
 - (c) Evidence that clients and the general public have been given notice of the proposed closure or relocation in line with the Authority's requirements; and
 - (d) Any other information or document as may be required by The Exchange.
- (2) The Trading Member shall not close or relocate an office without obtaining a No-Objection in writing from The Exchange.

17. Change of Business Name

- (1) Where a Trading Member wishes to change its business name, the following shall be required:
 - (a) Not less than ten (10) business days' notice of the proposed change with clear and specific reasons;
 - (b) Proposed new name; and
 - (c) Evidence of approval of the Authority of the proposed name change;
 - (d) Evidence that clients and the general public have been given notice of the proposed name change in line with the Authority's requirements;

- (e) Any other information or document as may be required by The Exchange.
- (2) The Trading Member shall not effect a change in its business name without obtaining a No-Objection in writing from The Exchange.

Article 4 – Capital and Financial Reporting

18. Minimum Capital Requirement

- (1) The minimum capital requirement for every Trading Member shall be as prescribed by the Authority.
- (2) Every Trading Member shall be under an obligation to maintain the prescribed minimum capital requirement from time to time.
- (3) The Exchange shall put in place a mechanism to monitor the capital adequacy of the Trading Member.
- (4) Where the capital adequacy of the Trading Member falls below the minimum requirement, the Trading Member shall be required to
 - (a) Immediately notify the Authority and submit evidence of such notification/correspondence to The Exchange within twenty-four (24) hours; and
 - (b) Shore up its minimum capital within a period agreed with The Exchange.
- (5) Where the shareholders of a Trading Member inject funds in the form of cash deposit for shares, the following shall apply:
 - (a) Such deposits shall be converted to equity investment within the period specified by the appropriate government organ but no later than six (6) months from the date of receipt of the applicable funds; and
 - (b) The Trading Member shall allot shares for which the deposits were made and file or register such allotment of shares in the format and within the timeline specified by the appropriate government organ.
- (6) Any Trading Member that violates any provision of this Rule 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.

19. Liquidity Requirements

- (1) Every Trading Member shall at all times comply with the liquidity

requirements as may be determined from time to time by The Exchange.

- (2) The computation of the asset mix ratio/ liquid capital and any other liquidity requirement or ratio shall be in the prescribed format as determined by The Exchange.
- (3) Every Trading Member shall compute and report its asset mix ratio, liquid capital and any other liquidity requirement to The Exchange on a monthly basis and shall notify The Exchange immediately and not later than twenty four (24) hours of the discovery of a non-compliance with the asset mix ratio, a reduction in its liquid capital, or other non-compliance with the liquidity requirements.
- (4) Any Trading Member whose liquid capital falls below the minimum requirements shall be required to recapitalize within a period to be agreed with The Exchange and such Trading Member shall be closely monitored by The Exchange to ensure that its liquid capital does not deteriorate any further.
- (5) Any Trading Member that violates any provision of this Rule 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.

20. Submission of Reports

- (1) Every Trading Member shall:
 - (a) Adopt the financial year of the Authority, which shall be a period of twelve (12) months beginning from the 1st day of July every year. Except permitted otherwise by The Exchange in writing.
 - (b) Submit to The Exchange the name(s) of its External Auditor(s) within ten (10) business days of any change in that regard.
 - (c) Submit to The Exchange its quarterly financial statements, audited financial statements, and any other report required by the Authority, within the timelines stipulated by the Authority for submission of the respective reports to the Authority.
 - (d) Submit to The Exchange any other periodic report as may be required from time to time, within the timelines stipulated by Authority for the submission of such reports.
 - (e) Prepare all financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRS) applicable to the time period covered in such financial statement(s).
 - (f) Disclose in its annual accounts a list of shareholders with five per-

cent (5%) or more of its share capital.

- (g) Disclose all other material changes relevant to make informed decisions regarding their activities within the year in the financial statement.
- (2) Where appropriate, a Trading Member may apply for an extension of time for the submission of its Quarterly Financial Statements, or Audited Financial Statements. Such application for extension shall be made no later than ten (10) business days before the applicable financial statement is due for submission, and such Trading Member shall be expected to give clear and specific reasons for requesting the extension.
- (3) The decision to grant a Trading Member's request for an extension of time to submit a financial statement or any other report shall be entirely at the discretion of The Exchange and such extension shall in no event be longer than a period of one (1) month from the due date for submission for a quarterly report, and two (2) months for an annual report.
- (4) Where a Trading Member fails to submit any report on the due date or at the expiration of any extended time period granted, the Trading Member may immediately be suspended from trading by The Exchange without recourse to such Trading Member.
- (5) Where a Trading Member is suspended from trading for non-submission of any report, such suspension shall be lifted only upon submission of the required report, in addition to the fulfilment of any other obligation or condition as may be stipulated by The Exchange.
- (6) In forming his opinion on the financial statement, the External Auditor shall consider and report on the following matters:
 - (a) Whether the minimum capital has been maintained;
 - (b) Going concern status of the Trading Member;
 - (c) Whether the financial statements contain misstatements; and
 - (d) Disclosure of contraventions and fines, if any, during the year.

21. Prohibition of Manipulation of Financial Statements

- (1) Under no circumstances shall a Trading Member manipulate its financial statements or the content of any other report required by The Exchange.
- (2) Any Trading Member that violates any provision of this Rule 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.

Article 5 – Management, Supervision and Internal Controls

22. Supervision and Internal Controls

- (1) Each Trading Member shall comply with minimum standards on internal control as prescribed from time to time by The Exchange.
- (2) Each Trading Member shall establish and maintain a system to supervise and ensure compliance of the activities of its Registered Individuals and other personnel. The final responsibility for proper supervision rests with the Trading Member.
- (3) The supervisory system of a Trading Member shall provide for written procedures to be established, maintained and enforced that are designed to supervise the types of business in which the Trading Member is involved.
- (4) The procedures of a Trading Member must identify the individual supervisory persons and Compliance Officer(s), including their titles and qualifications.
- (5) Every Trading Member shall have the responsibility and duty to ascertain by investigation the fitness and propriety of its Registered Individuals and other personnel.
- (6) Each Trading Member shall conduct a review, at least annually, of the business in which it engages based on the records prepared for that purpose. The review shall be reasonably designed to assist in ensuring that transactions were validly executed and client accounts are correct, as well as detecting and preventing violations of, and achieving compliance with The Exchange's Rules and Regulations.
- (7) Each Trading Member shall prepare a report pertaining to the review of the activities of each office or branch, which shall include the periodic in-house inspections.

23. Management of Investments and Provision of Investment Advice

- (1) Only Securities Traders who are Registered Individuals of a Trading Member may exercise discretion in the management of securities traded on The Exchange on behalf of clients of such Trading Member.
- (2) Where any personnel of a Trading Member who is not a Securities Trader

contravenes this Rule, the Trading Member shall be liable to any sanctions that The Exchange may impose in line with the sanctions schedule.

24. Prior Written Consents and Notifications

- (1) Every Trading Member shall maintain policies and procedures reasonably designed to ensure that approvals are obtained prior to the taking of any action where approval is required, or that notifications are given to The Exchange where notification is required.
- (2) Every Trading Member shall keep written or other affirmative evidence of such approvals and retain such records for a period of not less than ten (10) years.

25. Risk Management

- (1) Every Trading Member shall:
 - (a) Comply with minimum requirements and/or standards on risk management as may be prescribed from time to time by The Exchange;
 - (b) Have in place a unit in charge of risk management.
- (2) Every Trading Member shall set proper systems that ensure the efficiency of its unit in charge or risk management by using the necessary formulae and software to determine percentage of acceptable risks.
- (3) Trading Member shall develop and publish written communication policies and procedures that are appropriate for their business, size, structure and clients; and such policies and procedures shall include provisions for:
 - (a) Reviewing and monitoring communications with their clients;
 - (b) Education and training of employees as to organizational policies and procedures; and documentation of such education and training; and
 - (c) Surveillance and follow-up to ensure that such policies and procedures are implemented and adhered to.
- (4) Trading Members shall put in place proper controls and procedures to safeguard their offices, and shall make provision for secure facilities for storage of client records, Securities and cash.

26. Legal Actions

- (1) A Trading Member must notify The Exchange immediately and not later than within twenty-four (24) hours if:

- (a) Any legal action is brought against the Trading Member, Registered Individual or other personnel of the Trading Member which is related to the business activities of the company regarding transactions on The Exchange or that could affect the going concern status of the Trading Member;
- (b) The Trading Member becomes insolvent or ceases to settle its debts; and
- (c) Criminal proceedings or prosecution proceedings are filed against any founder, Registered Individual or other personnel of the Trading Member.

27. Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)

- (1) Every Trading Member shall abide by all AML/CFT disclosure requirements incidental to their business pursuant to the applicable laws in Somalia and the rules, producers and guidance provided by and The Exchange on AML/CFT or other related matters.
- (2) Pursuant to the foregoing, each Trading Member shall:
 - (a) Have an AML/CFT policy and train its employees on the prevention and detection of money laundering and terrorist financing, and other related activities as may be prescribed by The Exchange from time to time;
 - (b) Disclose to The Exchange on a quarterly basis and in a format to be prescribed by The Exchange all proprietary accounts held by it whether directly or indirectly and with other Trading Members; and
 - (c) Ensure that Registered Individuals disclose to the Trading Member, all personal securities accounts held whether directly or indirectly and to declare the nature of interest in the securities listed on The Exchange.

28. Corporate Governance

- (1) All Trading Members shall be guided by the principles and provisions of the Authority's Guidelines on Corporate Governance for Capital Market Service Providers and any other corporate governance requirements as may be prescribed by the Authority and/or The Exchange from time to time.
- (2) Failure to abide by the applicable guidelines or requirements shall be deemed to be a violation of the Rules of The Exchange.
- (3) If any Trading Member fails to comply with the provisions of the above guidelines or corporate governance requirements, The Exchange may

notify the Trading Member of such default and require that the Trading Member should provide in writing within a stipulated time frame, the reasons for such default and why it should not be sanctioned by The Exchange.

Article 6 – Registered Individuals and Other Personnel

29. Responsibility for Registered Individuals and Other Personnel

- (1) Without prejudice to any applicable laws, rules, directives or regulation, every Trading Member shall be responsible for all the actions of its Registered Individuals, employees, and other personnel.
- (2) Trading Members shall thoroughly investigate the previous records of persons they contemplate appointing or employing in their business including Securities Traders and persons who regularly handle or process client's accounts and persons having supervisory responsibility over persons engaged in such activities.
- (3) The Exchange may require at any time the name, actual duties, resumes and the appropriate information regarding any person employed by a Trading Member in the business to permit The Exchange ensure compliance with its rules.
- (4) No Trading Member shall not employ or retain in its employment any person whose name has been removed from the Register of Securities Traders or who has been blacklisted by The Exchange.

30. Obligation to Designate and Obtain Approval for Registered Individuals

- (1) Every Trading Member shall obtain the prior approval of The Exchange before appointing or employing an individual into a role designated as a Registered Individual.
- (2) Every Trading Member shall have the following Registered Individuals:
 - (a) Members of the Board of Directors approved by the Authority in accordance with the Securities Law;
 - (b) Managing Director/Chief Executive Officer duly licensed by the Authority as an Appointed Representative of the Trading Member;
 - (c) A Compliance Officer designated as the head of the compliance

function/team of Compliance Officers and duly licensed by the Authority as an Appointed Representative of the Trading Member;

- (d) Clients Securities Trader(s) duly licensed by the Authority as an Appointed Representative of the Trading Member, where the Trading Member is duly licensed by the Authority to sell and purchase securities on behalf of clients;
 - (e) Proprietary Securities Trader(s) duly licensed by the Authority as an Appointed Representative of the Trading Member, where the Trading Member is duly licensed by the Authority to sell and purchase securities for its own proprietary account;
 - (f) An Authorized Market Maker Trader duly licensed by the Authority as an Appointed Representative of the Trading Member, where the Trading Member is duly licensed by the Authority to carry out Market Making activities; and
 - (g) Any other Registered Individual as may be specified in these Rules, as may be amended from time to time, as well as other rules, guidelines, procedures and instruments that The Exchange may issue.
- (3) Under no circumstance shall a Trading Member:
- (a) Combine the position of a Client Securities Trader with the position of a Proprietary Securities Trader or Authorized Market Maker Trader; or
 - (b) Combine the position of a Proprietary Securities Trader with the position of an Authorized Market Maker Trader.
- (4) Nothing in these Rules shall preclude The Exchange from appropriately sanctioning a Trading Member for any violation and Trading Members shall remain responsible for all the actions of their respective Registered Individuals and other personnel.
- (5) A Trading Member must ensure that each of its Registered Individuals undergoes adequate education and training, including such continuing education and training as The Exchange may prescribe, as may be necessary for the Registered Individual to discharge his duties and obligations.

31. General Registration Process

- (1) A Trading Member seeking to appoint or employ a person into a position designated by The Exchange as a Registered Individual shall submit an application in writing to The Exchange.

- (2) The Exchange, may in its sole discretion, approve or reject an application for the appointment of a Registered Individual, and in doing so shall take into consideration the following factors:
 - (a) Fitness and propriety of the individual, including but not limited to whether the individual meets the competency requirements as may be specified by the Authority and The Exchange from time to time;
 - (b) The completeness and accuracy of the information provided in the application; and
 - (c) Information about the individual or nominating Trading Member available in the private and public domains.
- (3) The Exchange, may revoke or withdraw an approval granted to a Trading Member for the appointment of a Registered Individual, and in doing so shall take into consideration the factors listed in sub-rule (2) of this Rule.

32. Code of Conduct for Registered Individuals of Trading Members

- (1) All Registered Individuals shall identify and manage any potential or actual conflict of interests in relation to the discharge of obligations and functions under these Rules.
- (2) The Exchange may blacklist or sanction any Registered Individual that neglects any of his duties or deliberately violates the provisions of the Rules.
- (3) Where a Registered Individual resigns his appointment or employment with a Trading Member, or otherwise ceases to be affiliated with a Trading Member of The Exchange's market, the following shall apply:
 - (a) The name of the individual shall be deleted from the Register of Registered Individuals upon the effective date of cessation;
 - (b) The individual shall remain liable to The Exchange and its clients, as applicable, for any liabilities incurred under or in connection with the Rules of The Exchange during the period his registration remains valid;
 - (c) The individual shall remain subject to disciplinary proceedings and action for any breach of the Rule of The Exchange committed by the individual or his Trading Member during the period his registration remains valid; and
 - (d) The Exchange reserves the right to call upon the individual to give account of his actions or inactions during the period of his registration and/or during the period within which such

individual was affiliated with the Trading Member and/or The Exchange's market.

33. Jurisdiction Over Former Registered Individuals or Personnel

- (1) The Exchange shall retain continuing jurisdiction over former Registered Individuals, employees or other personnel of Trading Member, so that it may properly investigate and enforce sanctions against possible violations of The Exchange's rules and regulations, at any time after the date that The Exchange receives written notice of the exit of such Registered Individuals, employees or other personnel.
- (2) In the event that The Exchange asserts jurisdiction over former Registered Individual, employee or other personnel of a Trading Member under sub-rule (1) of this Rule, such former Registered Individual, employee or other personnel may thereafter be compelled to appear and testify before The Exchange, or to submit relevant books and records or other tangible materials to The Exchange, or respond to written requests from The Exchange for additional information.

34. Changes relating to the Position of a Registered Individual

- (1) Where a Registered Individual is duly licensed by the Authority as an Appointed Representative for the same position, the conditions and timelines for notifications specified for the related notification to the Authority shall also apply for notifications to The Exchange, excluding for the role of a Securities Trader.
- (2) Where a Registered Individual is not licensed by the Authority as an Appointed Representative for the same position, or where the Authority has not specified notification requirements in respect of an Appointed Representative, the following timelines shall apply:
 - (a) Not later than five (5) business days prior to the redeployment of a Registered Individual, excluding a Compliance Officer;
 - (b) Not later than five (5) business days prior to the effective date of resignation of a Registered Individual, or within ten (10) business days of receipt of a notice of resignation from the Registered Individual, whichever occurs first;
 - (c) Not later than five (5) business days after the removal or dismissal of a Registered Individual, excluding a Compliance Officer; and
 - (d) Not later than five (5) business days after becoming aware of the demise of a Registered Individual or resignation/exit without notice of the same.

- (3) The provisions of sub-rule (2) of this Rule shall not apply to the position of a Securities Trader.
- (4) Notwithstanding the provisions of sub-rules (1) and (2) of this Rule, every Trading Member shall notify The Exchange within one (1) business day of a change in the official contact details of a Registered Individual.
- (5) All notifications to The Exchange relating to a Registered Individual shall be made in writing in the format specified by The Exchange and via the designated platform or medium of The Exchange.

35. Members of the Board of Directors

- (1) The members of the Board of Directors of a Trading Member shall individually and collectively be responsible for any non-compliance with the provisions of these, guidelines, procedures and instruments that The Exchange may issue.
- (2) Where a Director of a Trading Member is also a member of the Board of Directors of an NSES listed company, such directorship shall be disclosed to The Exchange.
- (3) A Trading Member may appoint a Director of an NSES listed company as a Non- Executive Director, but not as an Executive Director.
- (4) Under no circumstance shall a Trading Member combine the position of the Chairperson or other non-executive role on the Board of Directors with the position of the Chief Executive Officer or other executive role.
- (5) No one person shall serve as a Director in more than one (1) Trading Member at a time.
- (6) A Director of a Trading Member shall not engage in or hold significant interest in any other business unless:
 - (a) there is no conflict of interests and duty with being a Director of a Trading Member; and
 - (b) the Director has obtained the Trading Member's prior approval.

36. The Compliance Officer

- (1) The Compliance Officer of a Trading Member shall be competent to advise the Trading Member, Registered Individuals and other personnel on the application of these Rules.
- (2) The Compliance Officer shall report to The Exchange any legal or rule violation within twenty four (24) hours of their knowledge of such violation, and propose the appropriate remedy thereto.

- (3) The Compliance Officer designated as the head of the compliance function/team of Compliance Officers shall be a member of senior management within the organizational structure of the Trading Member, have a direct reporting line to the Board of Directors, and shall remain independent and neutral at all times to safeguard against the possibility of a conflict of interest.
- (4) Under no circumstance shall a Trading Member combine the position of the Compliance Officer designated as the head of the compliance function/team of Compliance Officers with any other competing assignments.
- (5) Notwithstanding the provisions of sub-rule (4.) of this Rule, the office of a Compliance Officer designated as the head of the compliance function/ team of Compliance Officers may be combined with the roles of a Company Secretary or Legal Adviser or General Counsel or Head of Legal or Risk Officer, provided that the latter shall be a person that meets the competency requirements to perform each role.
- (6) Roles and Responsibilities:
 - (a) The Compliance Officer of a Trading Member shall have the role of advising the Trading Member, Registered Individuals and other personnel on the application of these Rules.
 - (b) A Compliance Officer shall have the ability to interpret and apply legislation, rules, regulations, guidelines, policies and other regulatory requirements relevant to the capital market. This includes continuous monitoring and implementation of relevant regulations, codes and rules in force from time to time, preparation and submission of regulatory reports as at when due and adopting relevant industry and market best practices in order to minimize and/or mitigate risks.
 - (c) The Compliance Officer shall focus on activities that assess, determine and ensure compliance by the Trading Member with both internal and external rules and policies.
 - (d) The Compliance Officer shall also monitor regulatory changes and ensure the dissemination of updates on regulations, rules or guidelines and periodic compliance changes to the Trading Member, its Registered Individuals and other personnel. He shall carry out compliance monitoring covering all operational areas.
 - (e) The Compliance Officer shall ensure that all investments and other operational transactions comply with all relevant legislations, regulations and policies through appropriate control of systems in order to minimize and mitigate risks.

- (f) The Compliance Officer designated as the head of the compliance function/team of Compliance Officers, with the support of the Trading Member's Board of Directors and Senior Executive Officers of the Trading Member, shall develop and implement a robust compliance program which is periodically revised to reflect changes in the requirements of the organization, the applicable laws, Directives, Regulations, Rules and other instruments issued by the relevant regulatory authorities.
 - (g) The Compliance Officer designated as the head of the compliance function/team of Compliance Officers shall be responsible for developing, coordinating, and participating in educational and training programs that focus on the elements of the financial or capital markets regulatory environment, and shall also ensure that all management and other employees are knowledgeable of, and comply with relevant rules and regulations.
 - (h) The Compliance Officer designated as the head of the compliance function/team of Compliance Officers shall be responsible for developing policies and programs that encourage managers and employees to report violations, suspected violations and breaches without fear of victimization.
- (7) Protection of Compliance Officers:
- (a) The Board of Directors of a Trading Member shall put in place a system to ensure sufficient protection of the Compliance Officer(s) for the purpose of performing the roles and functions expected of him/her/them.
 - (b) Upon the appointment of a Compliance Officer, the Trading Member shall be required to forward to The Exchange a copy of the letter of employment or letter of redeployment as the case may be, stating the conditions of service.
 - (c) The Trading Member shall not unduly deny a Compliance Officer any entitlements including but not limited to promotions, salary increases, commendations, training, or any other form of compensation and rewards.
 - (d) The Compliance Officer shall be entitled to communicate with any member of staff for the purpose of accessing documents necessary for the performance of his/her duties.
 - (e) The Compliance Officer shall be entitled to compel any member of staff to promptly supply information, explanation, documents as may be required by relevant authorities from time to time.
 - (f) No Trading Member shall remove a Compliance Officer from office whilst investigations are ongoing concerning any allegation made by the Compliance Officer.

- (g) The Compliance Officer may only be dismissed or removed during such period where the grounds for his removal are not motivated by the allegation made by The Compliance Officer against the Trading Member.
- (8) Redeployment of a Compliance Officer:
- (a) No Trading Member shall redeploy a Compliance Officer without obtaining a No-Objection from The Exchange.
 - (b) Where the proposed redeployment of a Compliance Officer is as a result of an alleged infraction committed by the Compliance Officer concerned, the provisions relating to the removal of a Compliance Officer in sub-rule (9) of this Rule shall apply.
- (9) Dismissal or Removal of a Compliance Officer:
- (a) The Compliance Officer may be dismissed or removed by the Board of Director of a Trading Member, provided that the Compliance Officer is given a written notice of any proposed resolution thereof.
 - (b) The Compliance Officer to be dismissed or removed shall be entitled to make representations in writing as well as be heard on the proposed resolution at the meeting of the Board of Directors where such proposed resolution is to be deliberated upon.
 - (c) The notice on the proposed resolution to remove a Compliance Officer shall include at a minimum, the grounds for the proposed removal, giving him a period of not less than five (5) business days within which to make his written representations.
 - (d) A copy of such notice shall be sent to The Exchange not later than the date the notice is sent to the Compliance Officer concerned.
 - (e) Before arriving at a decision to remove the Compliance Officer concerned, the Board of Directors of the Trading Member shall satisfy itself that the grounds upon which the removal of a Compliance Officer is sought are reasonable and equitable and are in the overall interests of The Exchange's markets.
 - (f) The final decision of the Board of Directors shall be communicated to The Exchange in writing within five (5) business days of the meeting at which such decision is taken. Where the final decision is to remove the Compliance Officer, the Board of Directors shall obtain a no-objection from The Exchange before such removal is implemented.
 - (g) Nothing in these Rules shall preclude The Exchange from requiring the removal of a Compliance Officer, or from prohibiting the removal of a Compliance Officer.

37. Securities Traders

(1) Registration Requirement:

A Trading Member shall register with The Exchange, persons who deal in securities on NSES as Securities Traders, unless exempted by NSES. All exemptions shall be explicitly communicated in writing by NSES to such Trading Member and no exemptions shall be implied.

(2) Categories of Securities Traders:

The categories of Securities Traders which a Trading Member shall employ, subject to the category of Services License issued by the Authority to such Trading Members, are:

- (a) Securities Traders managing client trade(s)
- (b) Securities Traders managing the Trading Member's proprietary trade(s);
- (c) Authorized Market Maker Trader(s).

(3) Eligibility:

To be eligible for registration as a Securities Traders, an applicant shall:

- (a) Obtain the applicable Securities Trader Services License issued by the Authority;
- (b) Undergo and successfully complete a specified programme of The Exchange on The Exchange's applicable trading system and procedures;
- (c) Be a fit and proper person, in accordance with the Authority's requirements regarding fitness and propriety;
- (d) Possess a good track record of business conduct, if applicable; and
- (e) Not be a person who has previously been disqualified by an exchange or a regulatory body in any jurisdiction from acting as a representative in respect of the relevant regulated activities.

(4) Register of Securities Traders:

- (a) A Register of Securities Traders and the names of their employers shall be kept by The Exchange and be available to all Trading Members upon application.
- (b) Only Securities Traders who have been registered by NSES and entered into the Register of Securities Traders may deal in securities listed or traded on NSES.
- (c) Where the approval granted for the registration of a Securities Trader is withdrawn or revoked by The Exchange, such Securities Trader shall be deemed de-registered and his name shall be

deleted from the Register upon the date of deemed de-registration.

- (d) The Exchange shall give reasons to the applicable individual and his Trading Member for its decision to revoke or withdraw an approval granted for the registration of a Trader.
- (e) No Trading Member shall employ or retain in its employment any person whose name has been revoked from the Register or who has been blacklisted by The Exchange.

(5) Authority to Act:

At any point in time, a Securities Trader shall be employed by and act for only one (1) Trading Member, unless exempted by The Exchange. Any exemption shall not be implied but shall be explicitly communicated in writing by The Exchange.

- (1) Notification Requirements in the Event of, or Prior to Exit/Resignation: A Trading Member shall notify the NSES within the following timelines:
 - (a) Not later than five (5) business days prior to the effective date of the exit of a Securities Trader. However, a Trading Member shall notify The Exchange within twenty-four (24) hours of receipt of a notice of exit of a Securities Trader or of becoming aware thereof where;
 - (i) the Securities Trader did not provide sufficient notice of resignation to enable the Trading Member to comply with the five (5) business days requirement; or
 - (ii) in any other compelling circumstances that would warrant such notification.
 - (b) Failure of a Securities Trader to provide sufficient notice of resignation to its sponsoring Trading Member shall be deemed a violation on the part of the Securities Trader, except where the Securities Trader is able to provide adequate justification to The Exchange as to his reason for the non-provision of sufficient notice.
 - (c) Notwithstanding the foregoing provisions of this sub-rule, a Trading Member shall notify The Exchange immediately upon becoming aware of an action or inaction of a Securities Trader which is not in the overall interest of The Exchange, its markets and related participants.
 - (d) An exit shall include but not be limited to the resignation, disengagement, redeployment, dismissal, removal or demise of a Securities Trader.

Article 7 – Books and Records

38. Record of Transactions and Right of Inspection

- (1) Every Trading Member shall keep proper records and books of accounts in respect of all transactions. The Exchange may prescribe the forms in which such records and books are to be kept by Trading Members and shall inspect the records of Trading Members from time to time.
- (2) The Trading Member shall ensure that its Chief Executive Officer, Registered Individuals (excluding Non-Executive Directors) and the Heads of all the Trading Member's Departments are present during the inspection.
- (3) Trading Members and their personnel shall cooperate fully and promptly with all inspections or investigations conducted by The Exchange or by the relevant government regulator and shall promptly respond to inquiries by The Exchange and the relevant government regulator.
- (4) The Exchange may impose a sanction as stipulated in Schedule of Administrative Sanctions if any Trading Member violates any provision of this Rule.

39. Client Record Keeping

- (1) Every Trading Member must have appropriate procedures and systems in place which guide the safe storage and retrieval, in a manner safe from destruction, of all record of:
 - (a) Communications relating to a service rendered to a client, including instructions given by the client to the Trading Member;
 - (b) Transaction documentation relating to clients;
 - (c) Contractual arrangements between the Trading Member and its clients, including mandates prescribed by the Rules of The Exchange; and
 - (d) Client particulars required to be provided in terms of the Rules or which are necessary for the effective operation of clients' accounts;
- (2) The client records in sub-rule (1) shall be kept in printed, electronic and/or voice-recorded format, but must be maintained in an organized manner that is capable of reproduction in hard printed form.
- (3) Trading Members need not hold the records in sub-rule (1) themselves but must be capable of making such records available for inspection within five (5) business days.

- (4) All instructions given by clients to execute transactions and all other client records must be kept for the minimum retention period stipulated in the applicable laws or by The Exchange.

Article 8 – Communication with the Public

40. General Requirements for Communicating with the Public

- (1) Trading Members shall only be permitted to exhibit outside the offices at which they carry on stockbroking business, a nameplate bearing in sufficiently legible characters, the registered name in which their business is carried on.
- (2) Every Trading Member and Registered Participant shall ensure that any advertisement, brochure, circular or other publication which can directly or indirectly be connected to The Exchange, The Exchange's markets, and The Exchange's activities:
 - (a) Contains accurate information and does not omit any important or material fact or qualification if the omission, in light of the context of the material presented, would cause the communication to be misleading;
 - (b) Is not misleading;
 - (c) Contains only claims or assertions that are externally verifiable;
 - (d) Contains only predictions or projections of investment performance which are accompanied by the supporting basis;
 - (e) Does not imply and cannot be misconstrued to be a representation as to a guaranteed return on an investment;
 - (f) Does not include descriptions, claims or comparisons which are false, exaggerated, unwarranted, as well as promissory claims about expertise, services, product, or performance of the entity or within the capital market;
 - (g) Does not and will not bring The Exchange, or its related entities, other Trading Members or Registered Participants, into disrepute;
 - (h) Does not include any intellectual property that is not owned by the Trading Member or Registered Participant, except with the written agreement of the owner of such intellectual property;
 - (i) Does not place important or material information in a legend or footnote or obscure location if the absence or lack of knowledge of such information will inhibit the public understanding of the communication; and

- (j) Considers the nature of the Trading Member's or Registered Participant's audience and provides details and explanation appropriate to such audience.
- (3) All communications by Trading Members shall:
 - (a) Be drafted to clearly describe the Trading Member with the words "Trading Member of the National Securities Exchange of Somalia" or "Trading Member of NSES; and
 - (b) Reflect any relationship with any non-Trading Member of The Exchange or individual relevant to the communication.
- (4) Any comparison in communications between investments, products or services must disclose all material differences between them, including investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features.
- (5) Every Trading Member and Registered Participant shall develop and establish a robust internal process to review every advertisement at senior management level before publication.
- (6) Trading Members and Registered Participants may be required by The Exchange to discontinue, modify, retract or recall an advertisement or communication which in the opinion of The Exchange violates any provision of these Rules.

41. Recommendations in Communications of a Trading Member

- (1) Where the communication of a Trading Member includes recommendations, the communication shall:
 - (a) Include a reasonable basis for the recommendations, and contain adequate disclosures, including the financial interests of the Trading Member, its Registered Individuals, its associated or related persons and/or other personnel of the Trading Member;
 - (b) Provide to existing clients, the investing public, and The Exchange upon request, the investment information supporting the recommendation; and
 - (c) Ensure that, in the case of a targeted communication, such recommendation is based upon a reasonable assessment that the structure and the risk-reward profile of the security is consistent with the target audience's experience, knowledge, investment objectives, risk appetite and capacity for loss.
- (2) No Trading Member shall include testimonials in communications except such testimonials are issued by a person who has the relevant competence required to form a professional opinion on the subject.

- (3) Any communication that includes a testimonial concerning a product or service offered by a Trading Member shall disclose that:
 - (a) the testimonial may not be representative of the experience of other clients;
 - (b) the testimonial is not a guarantee of future performance or success;
 - (c) where it was paid for, it is a paid testimonial.

42. Public Appearances and Speaking

- (1) Where a Trading Member sponsors or participates in a seminar, forum, radio or television interview, or is engaged in public appearances or speaking activities that are scripted or unscripted, the person representing the Trading Member shall comply with these Rules.
- (2) Every Trading Member shall establish written procedures that are appropriate to its business, size, structure and clients, to supervise public appearances by all its representatives.
- (3) Any scripts, slides, hand-outs or other written, printed or electronic materials used in connection with public appearances shall for all intents and purposes be considered as communication.

43. Third Party Communication

Where a Trading Member advertises or communicates using the platform of a third party, such advertisement or communication shall comply with the requirements of these Rules.

44. Record of Communication

Trading Members shall keep proper records of all communications issued by them for a period of not less than the data retention periods as may be prescribed from time to time by The Exchange,

45. Information Provided to Clients

- (1) In rendering a service to a client, any representations made and information provided by a Trading Member shall:
 - (a) Be factually correct;
 - (b) Be provided in plain language, devoid of uncertainty or confusion and shall not be misleading;
 - (c) Not obscure key facts or risks such as with inappropriate font, formatting or placement of key information;
 - (d) Include or reference all facts or caveats necessary to make any included statements not misleading;

- (e) Be adequate and appropriate in the circumstances of the particular service, taking into account the factually established or reasonably assumed level of knowledge of the client;
 - (f) As regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms, provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation shall be adequately described;
 - (g) Need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant service renders it necessary, in which case a disclosure of the changes shall be made to the client without delay; and
 - (h) As regards the manner in which trading shall be conducted for an account, be re-confirmed by the Trading Member when necessary.
- (2) No Trading Member shall:
- (a) Disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required pursuant to any rule, directive, regulation or law binding on the Trading Member or otherwise applicable in the circumstances; and
 - (b) Fail to advise a client in advance of any restrictions or limitations that may affect the access of that client to its assets.

PART II - REGISTERED PARTICIPANTS

Article 9 – Market Makers

46. Eligibility Criteria and Registration as a Market Maker

- (1) To be eligible for registration as a Market Maker, an applicant shall:
 - (a) Have a Market Maker Services License issued by the Authority;
 - (b) Be a corporate entity that is deemed appropriate by The Exchange taking into consideration the following, among other conditions, as may be specified by The Exchange from time to time:
 - (i) Whether the applicant maintains the minimum capital requirements as determined by The Exchange from time to time;
 - (ii) Whether the applicant has an Authorized Market Maker Trader and any other competent personnel with the requisite qualifications and experience as determined by The Exchange for trading and/or supervising trading in the relevant security;
 - (iii) Whether the applicant has in place the technology infrastructure, facilities and personnel adequate for the expeditious and orderly functioning, and carrying out of its business of market making; and
 - (iv) Whether the applicant has in place a proper supervisory programme and a system of internal controls to ensure proper conduct of the business of market making, proper undertaking of risk management, proper management of conflict of interest, and compliance with the applicable Rules.
- (2) To be registered as a Market Maker, an applicant shall submit an application in writing in the format specified by The Exchange and via the designated platform or medium of The Exchange.
- (3) The Exchange, may, approve or reject an application for registration as a Market Maker for a security listed on NSES, having due regard to, among other things, the appropriateness, technology infrastructure, financial condition and fitness and propriety of the applicant, its substantial shareholders and Registered Individuals. The factors that The Exchange may consider when approving an application to be a Market Maker shall include but not be limited to the following, whether:
 - (a) The applicant or its substantial shareholders, is in the course of being wound up, or a resolution to do so is passed by

- shareholders, or a court order is made, to wind it up;
- (b) Execution against the applicant or its substantial shareholders, in respect of a judgment debt has been returned unsatisfied in whole or in part;
 - (c) The applicant or any of its substantial shareholders, has entered into an arrangement or composition with its creditors that is still in operation;
 - (d) A receiver, manager, judicial manager or such other person having similar powers and duties, has been appointed, in relation to any property of the applicant, or its substantial shareholders;
 - (e) The Exchange is not satisfied with the financial standing of the applicant or its substantial shareholders;
 - (f) The Exchange is not satisfied with the manner in which the applicant's business is being or to be conducted;
 - (g) The applicant, or any of its substantial shareholders, Registered Individuals or other personnel is convicted of an offence involving fraud or dishonesty or is found by a court of law to have acted fraudulently or dishonestly;
 - (h) The applicant, or any of its substantial shareholders, Registered Individuals or other personnel has been convicted of an offence under the Securities Law or any other relevant applicable laws and regulatory requirements relating to the regulation of markets and regulated entities;
 - (i) The Exchange is not satisfied with the applicant's record of past performance;
 - (j) The Exchange is not satisfied that the applicant, any of its Registered Individuals or other personnel are able to satisfy such experience and competency requirements as the Authority and/or The Exchange may prescribe;
 - (k) The Exchange has reason to believe that the applicant or any of its Registered Individuals or other personnel may not perform their functions efficiently, honestly and fairly;
 - (l) The Exchange has reason to believe that the applicant may not act in the best interests of its clients, a specified security and/or The Exchange's market(s);
- (4) The Exchange may approve an application subject to such condition's restrictions and for such period as The Exchange may deem appropriate including but not limited to restrictions on the applicant's scope of business and operations.
- (5) The Exchange may at any time by notice in writing, vary or lift any such

conditions or restrictions, or impose such further conditions or restrictions as it may think fit.

- (6) An applicant approved by The Exchange as a Market-Maker shall have its name entered in the Register of Market Makers. The Exchange shall notify all Trading Members and Market Makers of the effective date of the Market Maker's registration.
- (7) If an application for approval as a Market Maker is rejected, no further application by the same applicant shall be considered within a period of three (3) months immediately after the date of rejection.

47. Account and System Requirements

- (1) A Market Maker may make market in specified instruments for one or more of the following:
 - (a) Its proprietary accounts; and
 - (b) Proprietary accounts of its Related Corporations or Associated Corporations.
- (2) A Market Maker's internal systems shall be integrated with The Exchange's systems in line with The Exchange's specifications, in order to enable effective flow of market information that will facilitate and improve its decision making and trading process.
- (3) The Market Maker's internal systems shall support features which include the following:
 - (a) The Exchange's specified order execution management system;
 - (b) Real-time market data collection, incorporation and dissemination; and
 - (c) Secure and capable connectivity.

48. Continuing Obligations of a Market Maker

- (1) A Market Maker shall provide on the trading system bid and offer quotations:
 - (a) On a continuous basis or in such other manner as The Exchange may prescribe to provide for an adequately liquid market with suitable disclosures to the public;
 - (b) Within the maximum spread specified by The Exchange;
 - (c) For not less than the minimum quantity that The Exchange may prescribe from time to time;
 - (d) For a minimum commitment period during which the Market Maker cannot voluntarily resign. The minimum commitment

period shall be determined and communicated by The Exchange from time to time; and

- (e) In a manner that will not breach restrictions where The Exchange has imposed restrictions on trades, including but not limited to suspension, in a specified security.
- (2) Where a Market Maker ceases to provide bid and offer quotations for any reason, it shall, as soon as practicable:
 - (a) Notify The Exchange of the cessation as well as the reasons for it;
 - (b) Make a public announcement of the cessation.
 - (3) Upon resumption, the Market Maker shall notify The Exchange and make a public announcement as soon as practicable.
 - (4) Notwithstanding the provisions of sub-rule (3) of this Rule, where a Market Maker ceases to provide bid and offer quotations for a specified security for a period of more than ninety (90) calendar days, the approval for registration of the entity as a Market Maker for the security under consideration shall be deemed automatically withdrawn.
 - (5) A Market Maker's obligation to maintain executable quotes shall not apply in case of a trading halt, suspension or pause and under the exception conditions as may be specified by The Exchange from time to time. No trading halt, suspension or pause shall be implied but shall be explicitly communicated in writing by The Exchange to the Market Maker.
 - (6) Where a Market Maker is also performing other activities, the Market Maker shall establish and implement adequate segregation procedures and systems between their market making activities and other activities.
 - (7) Every Market Maker shall ensure compliance with the information barrier requirements stipulated under these Rules, both by the Trading Member and its personnel.
 - (8) A Market Maker shall give prior notification to The Exchange in writing before effecting any change to its internal control systems that may affect the carrying out of its obligations under these Rules.
 - (9) Every Market Maker shall comply with the eligibility criteria stated in these Rules on a continuous basis, and shall notify The Exchange in writing within one (1) business day after the discovery of the occurrence of any of the following:
 - (a) Change in capital that causes the Market Maker to fall below the minimum capital requirements;

- (b) Change in any location or place of business of the Market Maker;
 - (c) Change in name of the Market Maker;
 - (d) Change in the corporate structure of the Market Maker, including but not limited to shareholding composition and Board of Directors; and
 - (e) A change or the occurrence of any activity or event that may adversely affect its registration or disqualify it as a Market Maker based on the Rules of The Exchange.
- (10) Nothing in this Rule shall constitute a waiver of an obligation on a Market Maker to obtain prior approval of The Exchange for a change or an activity, where required to do so as a condition for maintaining a Membership Certificate or other registration.
- (11) The Exchange may, on a periodic, ad-hoc, or impromptu basis, carry out onsite or offsite inspections of Market Makers to assess compliance with these Rules.

49. Reporting Obligations

- (1) A Market Maker shall in its periodic reports submitted to The Exchange, provide clear, appropriate and adequate information relating to its market making activities, including providing adequate disclosures in the notes to its financial statements.
- (2) Where deemed necessary, The Exchange may require a Market Maker to provide an independently audited report on an ad-hoc basis to enable The Exchange assess the Market Maker's performance or suitability as a Market Maker, including conditions relating to the financial standing, personnel and/or internal control procedures of the entity.

50. Exit of a Market Maker

- (1) The Exchange, may, in its sole discretion withdraw an approval granted for registration as a Market Maker for a security listed on NSES, having due regard to, among other things, the appropriateness, technology infrastructure, financial condition and fitness and propriety of the entity, its substantial shareholders and Registered Individuals.
- (2) A Market Maker may apply for voluntary resignation from its role as a Market Maker of a specified security only after the expiration of the minimum commitment period specified and communicated by The Exchange from time to time.
- (3) Where a Market Maker wishes to resign from its role as a Market Maker

of a specified security, it shall give a notice to The Exchange of its intention to resign not less than thirty (30) calendar days prior to the proposed date of resignation. Such notice shall be in writing in the format specified by The Exchange and via the designated platform or medium of The Exchange.

- (4) The Exchange shall have the sole discretion to accept the resignation, postpone the effective date of the resignation and/or without prejudice to the courses of action available to The Exchange, take such measures as it may determine appropriate before or after the resignation of a Market Maker takes effect.
- (5) Notwithstanding the provisions of sub-rule (4) of this Rule, The Exchange may in its sole discretion refuse to accept the resignation of a Market Maker if it is:
 - (a) Conducting an investigation under these Rules, investigating a complaint, or has initiated disciplinary proceedings against the Market Maker; or
 - (b) Not satisfied that the Market Maker has fulfilled or is able to fulfil all its obligations to The Exchange.
- (6) Where a Market Maker's registration for a specified security is withdrawn or the resignation as a Market Maker in a specified security is accepted by The Exchange, the following shall apply:
 - (a) No application for re-registration by the same entity as a Market Maker for the security under consideration shall be considered within a period of six (6) months immediately after the date of withdrawal or resignation;
 - (b) The name of the entity shall be deleted from the Register of Market Makers of the security
 - (c) under consideration upon the effective date of the withdrawal or resignation; The entity shall remain liable to The Exchange and its clients, as applicable, for any liabilities incurred under or in connection with the Rules of The Exchange during the period of its registration in respect of a specified security; and
 - (d) The entity shall remain subject to disciplinary proceedings and action for any breach of the Rule of The Exchange committed during the period of its registration.

Article 10 – Sponsoring Brokers for Digital Sub-Brokers

51. Eligibility Criteria as a Sponsoring Broker for Digital Sub-Brokers

- (1) To be eligible for recognition as a Sponsoring Broker for a Digital Sub-Broker, an applicant shall:
 - (a) Have a Membership Certificate from The Exchange to be a Securities Broker Dealer or Securities Broker;
 - (b) Satisfy itself that it has all required systems and processes to provide necessary support to the Digital Sub-Broker in accordance with the applicable Directives of the Authority; and
 - (c) Ensure that the Digital Sub-Broker it intends to transact business with has obtained the requisite Services License from the Authority.
- (2) A Trading Member shall not maintain an account with or be a client of a Digital Sub-Broker, or otherwise carry out any trading activity for its own account through a Digital Sub-Broker.
- (3) A Trading Member shall ensure that its clients are not acting in the capacity of Digital Sub-Brokers unless such clients are duly licensed by the Authority.
- (4) To be recognised as a Sponsoring Broker for a Digital Sub-Broker, a Trading Member shall notify The Exchange in writing in the format specified by The Exchange, at least ten (10) business days before commencing business transaction with the Digital Sub-Broker. The notification to The Exchange shall be supported by:
 - (a) A certified copy of the Services License issued to the Digital Sub-Broker by the Authority;
 - (b) A standard form guarantees document and indemnity completed and executed by the Trading Member; and
 - (c) Any other information or document as may be required by The Exchange.

52. Continuing Obligations of a Sponsoring Broker

- (1) A Trading Member recognised as a Sponsoring Broker to a Digital Sub-Broker by The Exchange shall ensure that the activities of such Digital Sub-Broker in connection to The Exchange are limited to the provision of digital channels to clients for the sale and purchase of securities on The Exchange.
- (2) The Trading Member shall ensure that the Digital Sub-Broker complies

with the following:

- (a) The provisions of 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
 - (b) All capital market laws, the Securities Law, Directives, Rule and regulations, including as they relate to Know Your Client (KYC).
- (3) The Trading Members shall be responsible for the internal review of activities of the Digital Sub-Broker and shall ensure that supervisory controls are put in place to monitor the activities of the Digital Sub-Broker.
- (4) Where a Digital Sub-Broker transacting business with a Trading Member violates any provision of these Rules, the Trading Member recognised as the Sponsoring Broker of such Digital Sub-Broker may be sanctioned by The Exchange in line with the sanction applicable to such violation.
- (5) Where the relationship between a Trading Member and a Digital Sub-Broker which was recognised pursuant to these Rules is terminated for any reason, the Trading Member shall notify The Exchange within twenty-four (24) hours of the termination and the reasons for termination.
- (6) Where the Authority notifies The Exchange or The Exchange otherwise becomes aware of an enforcement action against a Digital Sub-Broker, The Exchange's recognition of the Trading Member sponsoring the Digital Sub-Broker shall be suspended pending the outcome of the enforcement action.
- (7) No Trading Member shall transact any business with a Digital Sub-Broker whose Services License has been suspended or revoked by the Authority.
- (8) Where The Exchange becomes aware that a Digital Sub-Broker has violated any provision of these Rules, The Exchange may blacklist such a Digital Sub-Broker and prohibit Trading Members from engaging in any activity with the Digital Sub-Broker.

PART III - COMPENSATION FUND

Article 11 - Investor Compensation Fund

53. Establishment of the Investor Compensation Fund

- (1) The Exchange may maintain and operate an Investor Compensation Fund (ICF) to be administered by an independent Board of Directors
- (2) As part of the conditions for commencement of operations and issuance of a Membership Certificate, each Trading Member shall pay a non-refundable sum prescribed by The Exchange from time to time, and approved by the Authority as initial contribution to the Fund or such other amount as may be determined by The Exchange.
- (3) Without prejudice to the foregoing, each Trading Member shall pay an annual premium to the Fund as shall be prescribed by The Exchange.

54. Governance and Management of the Fund

- (1) The Board of Directors of the ICF of NSES shall consist of a maximum of five (5) members to be drawn as follows:
 - (a) A representative from the Trading Members of The Exchange;
 - (b) A representative from The Exchange;
 - (c) A representative from the central securities depository;
 - (d) A representative from the Authority; and
 - (e) One (1) person representing a registered shareholders association/ or similar industry group, independent experts etc.
- (2) Members of the Board of Directors of the ICF shall be appointed by The Exchange, subject to the approval of the Authority. The appointment shall be for an initial term of four (4) years.
- (3) Subject to The Exchange's discretion and on the approval of Authority, a member may be re-appointed for a further term of four (4) years and no more.
- (4) A member of the Board of Directors of the ICF shall cease to be a member if:
 - (a) His term of office expires;
 - (b) He resigns from his office by a written notice addressed to the Chairperson or Secretary of the Fund;
 - (c) Before the expiration of his tenure, he ceases to be a member of the body he represents on the Board of Directors;

- (d) His membership on the Board of Directors is withdrawn by the body he represents;
 - (e) He is guilty of any crime involving dishonesty or sanctioned for misconduct by any professional body or association; or convicted of a criminal offence involving dishonesty by a Court of competent jurisdiction;
 - (f) On a resolution of the other members of the board of Directors supported by at least two-thirds of its membership, is adjudged to be engaged in activities prejudicial to or inconsistent with his position as a member of the board of Directors;
 - (g) He becomes insane or of unsound mind or incapable of carrying out his/her duties as a result of any illness;
 - (h) He is an undischarged bankrupt; or
 - (i) Ceases to be fit and proper.
- (5) The Board of Directors of the ICF shall be responsible for the management of the Investor Compensation Fund and shall hold, manage and apply the Fund in accordance with the provisions of these Rules and the provisions of the Securities Law.
- (6) For the purpose of managing the Fund, the Board of Directors of the ICF may by resolution:
- (a) Engage such professionals (lawyers, accountants, auditors etc.) as it may deem necessary for the efficient performance of its functions;
 - (b) Set up sub-committees to assist in the discharge of its functions, in particular for the purpose of determining the eligibility of an investor to receive compensation and the amount payable; and
 - (c) Appoint a management sub-committee of not less than three (3) and not more than five (5) persons.
- (7) The Board of Directors of the ICF may by resolution delegate to any sub-committee appointed under sub-rule (6) of this Rule all or any of its powers.
- (8) Any power, authority or discretion so delegated by the Board of Directors of the ICF shall be exercised by members forming a majority of the sub-committee as if that power, authority or discretion had been conferred on a majority of the members of the sub-committee.
- (9) Any such delegation by the Board of Directors of the ICF may at any time in like manner be rescinded or varied.
- (10) The Board of Directors of the ICF may at any time remove any member

of a sub-committee appointed by it under this section and may fill any vacancy in the sub-committee howsoever arising.

- (11) A decision of the sub-committee of the Board shall be of no effect until it is confirmed or ratified by the Board of Directors of the ICF.

55. Payments into the Investor Compensation Fund

- (1) There shall be paid into the Fund the following:
- (a) Contributions from Trading Members of The Exchange which shall comprise:
 - (i) A mandatory non-refundable initial payment of the sum prescribed by The Exchange upon becoming a Trading Member, provided that the value of this mandatory initial payment may be changed from time to time as determined by the Board of Directors of the ICF, subject to the approval of The Exchange and as approved by the Authority in accordance with the Compensation Fund Directives and/or Regulation;
 - (ii) An annual payment of an amount to be determined by the Board of Directors of the ICF from time to time, subject to the approval of The Exchange; and
 - (iii) Periodic payment of an amount as may be determined by the Board from time to time in accordance Capital Market Compensation Fund Regulation to be applied towards making up any deficiency in the event that the Fund falls below the minimum amount approved for the Fund.
 - (b) The interest and profits accruing from the investment of the Fund;
 - (c) All funds recovered by or on behalf of the Board of Directors of the ICF in the exercise of any right of action conferred by the Securities Law and/or these Rules;
 - (d) All funds paid by an insurer pursuant to any contract of insurance or indemnity entered into by a Trading Member of The Exchange or the Board of Trustee;
 - (e) Any funds whether in form of grants, donations or subventions received from The Exchange or other institutions and persons;
 - (f) Funds received as income from, or the proceeds of sale of any investments; and
 - (g) Funds borrowed by the Board from The Exchange for the purposes of the Fund.
- (2) All other funds received by the Fund pursuant to the provisions of the

Securities Law, Compensation Fund Directives, and the Capital Market Compensation Fund Regulation for the furtherance of its aims and objectives.

- (3) The Board of Directors of the ICF shall not apply the Funds towards any payment except by the authority of an ordinary resolution of the Board of Directors of the ICF or a written resolution signed by all the members of the Board of Directors of the ICF approving such payment.
- (4) The Investment Policy of the Fund shall be determined by the Board of Directors from time to time, subject to the approval of The Exchange.

56. Segregation of the Investor Compensation Fund

All funds forming a part of the Fund shall be paid or transferred into separate bank account within the Republic of Somalia as may be determined by the Board of Directors of the ICF from time to time with The Exchange's prior approval pending the investment or application of such funds in accordance with the provisions of the Securities Law.

57. Payments Out of the Fund

- (1) There shall from time to time be paid from the Fund:
 - (a) Funds required by the Board of Directors of the ICF for the payment of compensation to investors, in accordance with these Rules;
 - (b) Funds required for the arrangement, service or repayment of loans obtained by the Board of Directors of the ICF from The Exchange for the purposes of the Fund;
 - (c) Premiums on policies of insurance taken out by the Board of Directors of the ICF for the purposes of the Fund;
- (2) All expenses incurred by the Board of Directors of the ICF in its administration and management including expenses arising from professional services in establishing the Fund, professional fees and expenses of the auditor to the Fund, expenses of the staff of the Fund, professional fees and expenses of advisers appointed by the Board of Directors of the ICF from time to time to render services to the Board of Directors of the ICF or Fund; and
- (3) Such other funds as are permissible to be paid may be payable out of the Fund in accordance with the provisions of the Securities Law.
- (4) Payments of compensation out of the Fund shall be in monetary form only.

58. Indemnity

The Board of Directors of the ICF and any of its members, officers or servants shall be indemnified out of the Fund against any liability for anything done or omitted in the discharge of the functions of the Board of Directors of the ICF under these Rules, unless such acts or omissions are in bad faith; and any amount payable by virtue of these Rules are to be treated as management costs for the financial year in which it is paid.

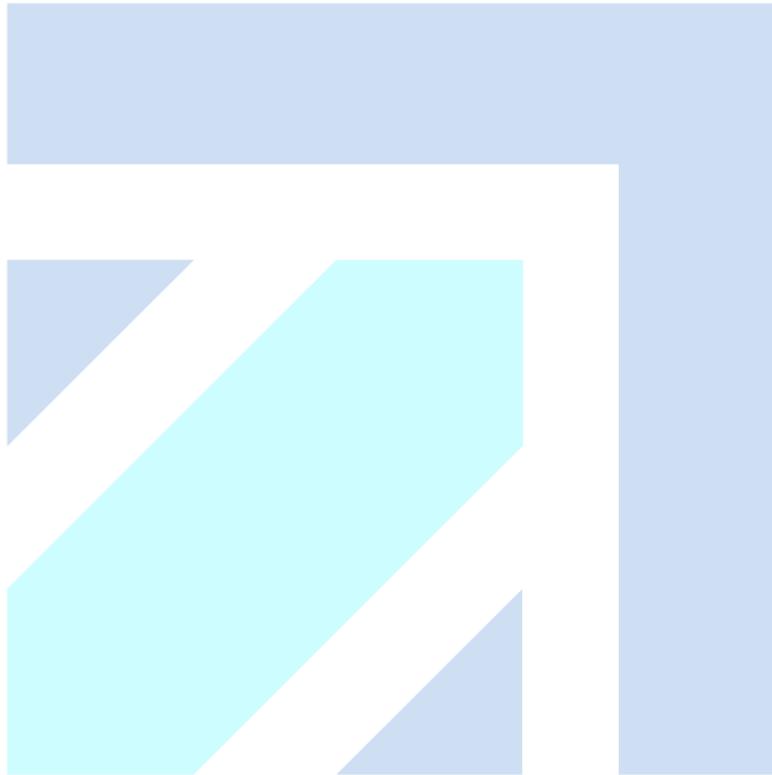
59. Records and Reporting

- (1) The Board of the ICF shall in line with the Compensation Fund Regulation submit to the Authority and The Exchange an Annual Report on the activities and administration of the Fund, covering each successive financial year, and made within three (3) months of the end of the year reported on provided that the timeline for submission of the Annual Report to the Authority shall not apply to the Fund's first year of operation.
- (2) The Annual Report shall inter alia include the following:
 - (a) Financial statements prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) showing the movements in the Fund during the year and a statement of assets and liabilities of the Fund at the end of the year;
 - (b) A statement indicating all payments into the Fund and payments out of the Fund during the year;
 - (c) A statement by the Chairman of the Board highlighting the activities of Fund covering the relevant financial year; and
 - (d) A report of the Funds' External Auditors.
- (3) The Board shall ensure that The Exchange's auditors are not appointed as the auditors of the Fund.
- (4) The Board of Directors of the ICF shall ensure that all Annual Reports of the Fund which have been submitted to the Authority and The Exchange shall be displayed on The Exchange's website or such other website as the Board of Directors of the ICF may decide.
- (5) The Board of Directors of the ICF shall also make quarterly reports to The Exchange, giving details of the exercise of its powers and functions.
- (6) The Board of Directors of the ICF shall notify the Authority and The Exchange in writing of significant events occurring in the process of administering the Fund.
- (7) The Board of Directors of the ICF shall keep records which show and explain the transactions of the Fund and shall:

- (a) Disclose the financial position of the Fund at any time and enable the Board of Directors of the ICF to make reports required by these Rules; and
- (b) Maintain such records for a minimum retention period stipulated in the applicable laws or by The Exchange.

60. Public Enlightenment

The Board of Directors of the ICF may from time to time disseminate information to the public on the operation of the Fund in such manner as it deems fit.



Article 12 – Compensation to Investors

61. Verification of Claims

In respect of claims submitted to The Exchange by persons who allege that they have suffered pecuniary losses as provided under the Compensation Fund Directives and the Capital Market Compensation Fund Regulation, the Board of Directors of the ICF shall make payment based on verified claims in accordance with these Rules and the provisions of the Compensation Fund Directives and the Capital Market Compensation Fund Regulation, as applicable.

62. Payment of Compensation

- (1) The Board of Directors of the ICF shall pay compensation where it is satisfied, on the basis of evidence provided by an investor or a Trading Member of The Exchange or which is available to it from other sources, that:
 - (a) The investor has a claim against a Trading Member as a result of the failure of a Trading Member to meet its contractual obligations in relation to securities transaction;
 - (b) The investor has duly applied for settlement of its claim from the Trading Member;
 - (c) The Trading Member is unable to satisfy the claim within a reasonable period;
 - (d) The investor has exhausted The Exchange's internal complaint resolution procedure;
 - (e) The investor has duly applied for compensation from the Fund;
 - (f) The Exchange has verified the claim.
- (2) An application for compensation may be rejected if:
 - (a) The claim is not supported by evidence or proof of the contractual relation with the Trading Member of The Exchange, the loss suffered by the investor and that the Trading Member has refused, failed or neglected to respond to such claim;
 - (b) The claim is not promptly made and in any event within the six (6) months of the investor becoming aware of the issue and that the Trading Member is unable to meet its contractual obligation or after final determination of the matter through relevant dispute settlement channels;
 - (c) If it has not been extinguished by operation of the law;
 - (d) If it has been settled by any other scheme or policy including another compensation scheme operated by The Exchange; or
 - (e) The investor is responsible for, or has directly or indirectly profited

from, events relating to the Trading Member's business which gave rise to the eventual pecuniary loss suffered by the investor.

- (3) In determining whether the investor is responsible for, or has directly or indirectly profited from, events relating to the Trading Member's business which gave rise to the pecuniary loss, the Board of Directors of the ICF shall take into account all prevailing circumstances, including but not limited to the following matters:
 - (a) Whether there is a decision by a body of competent jurisdiction indicating that the investor is responsible for, or has directly or indirectly profited from events relating to the Trading Member's business which gave rise to the pecuniary loss;
 - (b) Whether the investor has admitted that it is either responsible for, or has directly or indirectly profited from events relating to the pecuniary loss suffered;
 - (c) Whether there is evidence provided by Trading Member or which is available to the Board of Directors of the ICF from other sources that the investor is responsible for, or has directly or indirectly profited from events relating to the eventual pecuniary loss suffered; and
 - (d) Such other matters similar to the foregoing.

63. Multiple Claims

- (1) Where a person claims in a double capacity for himself and as the Personal Representative of a deceased investor, he is to be treated in respect of the representative claim as if he were the deceased investor without prejudice to his own personal claim, with sufficient evidence of supporting documentation to the claim on behalf of the deceased investor, including but not limited to a death certificate, letters of administration, wills, executors' authorization, among others.
- (2) Where a person claims for himself and as a trustee, he is to be treated in respect of the latter claim as a different person.
- (3) Where two or more persons in partnership have a joint beneficial claim, then, the claim is treated as the claim of the partnership, otherwise each of them would be taken to have equal shares in the claim unless the contrary is proved to the satisfaction of the Board of Directors of the ICF.
- (4) Where an agent has a claim for one or more principals, the principal or principals are to be treated as having the claim, to the exclusion of the agent.
- (5) Provided that the above notwithstanding, in determining the total

amount of compensation to be paid to an investor, the Board of the ICF may combine multiple claims of the investor.

64. Amount of Compensation

- (1) The maximum compensation payable to an investor who has suffered a loss shall be an amount that is determined by the Board of Directors of the ICF; and where the loss is less than the maximum amount fixed by the Board of Directors of the ICF at any given time, the investor may be paid the full amount of the loss, less any amount or value of all funds or other benefits received or receivable by him from a source other than the Fund in reduction of the loss.
- (2) An investor is entitled to no more than one claim for compensation where he has numerous claims against the ICF in respect of the same Trading Member.
- (3) Notwithstanding the above, the amount of compensation may be reviewed by the Board of Directors of the ICF from time to time. In determining the maximum amount of compensation payable, the Board of Directors of the ICF shall take into account circumstances prevailing in the capital market.
- (4) Where a claimant receives settlement from the Trading Member of The Exchange in respect of a claim after receiving compensation from the ICF for the same claim, the investor shall refund the funds paid to him by the ICF.
- (5) Any amount recovered by the ICF by virtue of the refund above shall be paid into the account of the ICF.

65. Adjusted Payments

- (1) Payments of compensation could be adjusted by the Board of Directors of the ICF where it is satisfied that in principle compensation is payable but considers that immediate payment in full would not be prudent having regard to other applications for compensation, or to any uncertainty as to the amount of the investor's overall net claim, it may determine to pay an appropriate lesser sum in final settlement or to make a payment on account.
- (2) The Board of Directors of the ICF may also determine to make a payment on account or to pay a lesser sum where the investor has any prospect of recovery in respect of the claim from any third party or through an application for compensation to any other person or authority.

- (3) The Board of Directors of the ICF may determine to reduce the compensation which would otherwise be payable to an investor in circumstances where it is satisfied that the investor is partly to blame for the loss which he has suffered.
- (4) If an investor has outstanding obligations to the ICF, the payable amount shall be reduced by the outstanding amount.

66. Recoveries and Subrogation

- (1) The Board of Directors of the ICF upon the payment to any investor shall be subrogated to all rights of the investor against the Trading Member concerned to the extent of such payment; and such subrogation shall include the right on the part of the Board of Directors of the ICF to recover an equivalent amount from the Trading Member of The Exchange or from the proceeds of the sale of the assets of such Trading Member.
- (2) Any amount received by the Board of Directors of the ICF by virtue of this Rule shall be paid into the Fund.

67. Protection for Whistle-blowers

The Board of Directors of the ICF shall establish and maintain a system to receive disclosures in respect of contraventions as provided in the Compensation Fund Directive and act on them, where appropriate.

68. Code of Conduct

The Code of Conduct for the members of the Board of Directors of the ICF shall be deemed to be incorporated into and made a part of these Rules.

SCHEDULE OF ADMINISTRATIVE SANCTIONS MEMBERSHIP RULES

- (1) The administrative sanctions applicable for the violation of the provisions of the Rulebook of the National Securities Exchange of Somalia , 2025 (Membership 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
Category of Trading Members	1.3 Categories of Trading Members	Suspension until the violation is remedied	N/A	N/A
Trading	2.6 Cessation of Trading Rights	Revocation of Membership Certificate	Withdrawal of Registration, Blacklisting	N/A
Member Licensing Procedures	2.7 Status of a Membership Certificate	Suspension - Revocation	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
Control, Ownership Structures and Significant Influence	All Rules in Chapter 3 (Control, Ownership Structures and Significant Influence)	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.
Capital and Financial Reporting	4.1. Minimum Capital Requirement	<ul style="list-style-type: none"> • USD 200 for each day the entity fails to notify The Exchange for a maximum of 30 days; and/or • Suspension until the violation is remedied. 	N/A	N/A
	4.2. Liquidity Requirements	<ul style="list-style-type: none"> • USD 200 for each day the entity fails to notify The Exchange for a maximum of 30 days; and/or • Suspension until the violation is remedied. 	N/A	N/A
	4.3. Submission of Reports	<ul style="list-style-type: none"> • USD 200 per day of default for a maximum of 30 days; and • Suspension after the 30th day for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	N/A	N/A
	4.4. Prohibition of Manipulation of Financial Statements and Other Reports	<ul style="list-style-type: none"> • 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	N/A

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
Management, Supervision and Internal	5.1. Supervision and Internal Controls	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.
Controls	5.2. Manage Investments and Provide Investment Advice	USD 200 - 400 per violation	USD 100 - 150 per violation	None.
	5.3. (2.) Prior Written Consents and Notifications	USD 200 - 400 per violation	N/A	N/A
	5.4. Risk Management	USD 200 - 400 per violation	N/A	N/A
	5.5. Legal Actions	USD 200 - 400 per violation	N/A	N/A
	5.6. Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT)	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
		<ul style="list-style-type: none"> Referral for criminal prosecution. 		
	5.7. Corporate Governance	USD 200 – 400 per violation	N/A	N/A
Registered Individuals and Other Personnel	6.1. Responsibility for Registered Individuals and Other Personnel	<ul style="list-style-type: none"> 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
	6.2. Obligation to Designate and Obtain Approval for Registered Individuals	USD 200 – 400 per violation	N/A	N/A
	6.4. Obligations of and Code of Conduct for Registered Individuals of Trading Members	N/A	<ul style="list-style-type: none"> Referral to professional body(ies) or association(s); 	N/A
			<ul style="list-style-type: none"> Temporary/permanent deregistration/removal; Blacklisting; and/or Referral for criminal prosecution. 	

Chapter	Rule	Sanction Applicable to a Trading Member/Registered Participant	Sanction Applicable to a Registered Individual or Other Personnel	Compoundable Component
	6.5. Retention of Jurisdiction Over Former Registered Individuals, Employees or Other Personnel	N/A	<ul style="list-style-type: none"> • Referral to professional body(ies) or association(s); • Temporary/permanent deregistration/removal; • Blacklisting; and/or • Referral for criminal prosecution. 	N/A
	6.6. Changes relating to the Position of a Registered Individual	USD 200 - 400 per violation	N/A	N/A
	6.7. Members of the Board of Directors	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	<p>USD 100 - 150 per violation; and/or</p> <ul style="list-style-type: none"> • 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
	6.8. Chief Compliance Officer	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	<ul style="list-style-type: none"> • USD 100 - 150 per violation; and/or • Temporary/permanent deregistration/removal; and/or • Blacklisting. 	N/A
	6.9. Securities Traders	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	<ul style="list-style-type: none"> • USD 100 - 150 per violation; and/or • Temporary/permanent deregistration/removal; and/or • Blacklisting. 	N/A
			<ul style="list-style-type: none"> • Temporary/permanent deregistration/removal; and/or • Blacklisting. 	
Books and Records	7.1. Record of Transactions and Right of Inspection	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • 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
	7.2. Client Record Keeping	<ul style="list-style-type: none"> • 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	For a Trading Member, additional fine of USD 100 per day of default until the violation is remedied, subject to a maximum of 30 days.
Communication with the Public by Trading Members and Registered Participants	All Rules in Chapter 8: Communication with the Public by Trading Members and Registered Participants	<ul style="list-style-type: none"> • USD 200 - 400 per violation; and/or • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last. 	<ul style="list-style-type: none"> • USD 100 - 150 per violation; and/or • Temporary/permanent deregistration/revocation; and/or • Blacklisting. 	Where a Trading Member is directed to withdraw an advertisement, communication, information, etc., an additional fine of USD100 per day of default until the violation is remedied, subject to a maximum of 30 days.
Market Makers	All Rules in Chapter 9: Market Makers	<ul style="list-style-type: none"> • Written warning/caution; • USD 200 - 400 per violation; • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or • Withdrawal of registration. 	N/A	N/A
Sponsoring	All Rules in Chapter 10: Sponsoring Brokers for Digital Sub-Brokers	<ul style="list-style-type: none"> • Written warning/caution; 	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
Brokers for Digital Sub- Brokers		<ul style="list-style-type: none"> • USD 200 - 400 per violation; • Suspension for at least ten (10) business days or until the violation is remedied, whichever occurs last; and/or • Withdrawal of registration. 		
Investor Compensation Fund	11.3. Payments into the Investor Compensation Fund	<ul style="list-style-type: none"> • 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