

SOMALI STOCK EXCHANGE

RULE BOOK

Updated on 15th October 2024



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Introduction:

Somali Stock Exchange (SSE) is defined as the exchange where residents can negotiate the sale of securities; the structure through which businesses can float shares and investors can purchase shares. The Somali Stock Exchange is a Self Regulated Organisation. The SSE is central to economic development in Somalia because it offers a platform through which these activities are facilitated; borrowers gain access to funds for growth, while investors get to diversify their portfolios.

This rule book provides the basic framework, rules and requirements for SSE to follow to ensure compliance with standard of transparency and efficiency for the SSE and its investors. The rules will help protect investor and broker interests, listed companies and other stakeholders and ensure fair market and trading practices.

The SSE has the aim to encourage sustainable investment portfolios in the fields of industrial, commercial and service sectors of the economy. These are agriculture, fisheries, energy and information and communication technology (ICT). These sectors which are among the most promising in the region are vital to Somalia's economic growth and diversification. Through mobilizing resources for these industries the SSE seeks to play its part in creating employment, economic stability and a stronger economy.

Furthermore, the SSE highlights the commitment to best practices and standards on the international level, which leads to confidence among local and international investors. The institutions' legal context created in this rule book provides the framework for the SSE's operation to have defensible compliance with global norms and standards but be feasible for Somalia's context and opportunities. This approach will also help the SSE's mission of acting as the investment promotion agency for foreign and domestic investors in relation to the general vision of turning Somalia into an economic powerhouse in the region.

Ultimately, the SSE strives to provide a robust, secure, and transparent trading environment, supporting the growth of a dynamic private sector and enhancing Somalia's economic prospects. The guidelines set forth in this document are intended to ensure that market participants operate within a well-defined regulatory framework, fostering trust and reliability in Somalia's emerging capital markets.

Vision and Mission:

Vision:

The Somalia Stock Exchange or SSE as known is the hope of becoming one of the best stock exchanges in the East African region. It aims at striving towards turning it into a transparent and efficient market place that will enable the nation of Somalia as it goes through the process of economic development. The SSE believes in the creation of trust and managing its business to the highest level of corporate governance that will see the company achieve its goal of becoming a significant participant in the region's capital markets.

Mission:

The SSE has this noble mandate of ensuring that capital is formed for the various companies in Somalia through provision of efficient and effective trading platforms. Its purpose is to help corporations to find funds easily for their growth and development of new projects. By using the SSE, investors can create wealth and at the same time make positive inputs towards welfare of the country's economy. Through enhancing the regulatory requirement and encouraging transparency, SSE has enhance investors' protection and fair trading environment. It plays the role of an investment intermediary by connecting investors on the one hand and borrowers on the other. Thus, the SSE has a crucial function for the facilitation of sustainable economic growth in Somalia and the whole of the East African community.

Key Principles:

- Transparency: A key response to the honouring of the needs for connectedness and reciprocity is the practice of transparency as a principle that must be followed by all participants in the SSE.

- Fair Treatment: All the investors get protection and everyone is treated equally whether local or international investor, the information flow is fair to all.
- Integrity: This is why it is so important to preserve integrity within the SSE's actions and the regulatory system itself.
- Investor Protection: Through regulations and risk management measure the SSE is able to protect the interests of investors that are shareholders.

Market Structure:

SSE is created to facilitate the trading of equities, bond, and all other securities across various market classes:

- Main Market: Larger companies tend to consider investments in technology for more institutionalised fields and for which the technology is acknowledged to be appropriate in the development of the company; the technology itself is somewhat more predictable for the larger and older industrial companies.
- OTC Market: The SSE OTC mechanism provides a transfer of ownership mechanism for unlisted financial securities. This service by our OTC Market is suitable for companies that are not ready to fully list their company on the stock exchange, but want to trade their shares.
- Growth Market: Indeed, those incurred for skill development in targeted high potential growth SMEs can be wholly justified.
- Government Securities Market: Contributes to disposing of government securities and treasury products.

Listing Requirements:

Companies seeking to list on the SSE must adhere to the following requirements:

- **Minimum Capital Requirement:** Main Market listings may not limit the number of shares to be issued and advertised, but they must reach a certain minimum capital level.
- **Corporate Governance:** The Board assures compliance with the best practices in corporate governance, independence of directors and;
- **Disclosure Obligations:** Quarterly or annual updates of financial position, operations, cash flows and other material event affecting the company and compliance with continuous disclosure requirements.
- **Foreign Investment Regulations:** Foreign companies subject to Somali law must at least adhere to Foreign Investment Law and documentation of the right to remit profits to home country and access foreign exchange.

Trading Rules:

- **Trading Hours:** The SSE is open from Saturday to Thursday, with official working hours of 9:00 AM to 5:00 PM.
- **Trading Mechanism:** Trading of securities is made possible by use of an Electronic Trading System operational at the SSE.
- **Order Types:** Market orders, limit orders, and stop order are possible which give the investors the freedom of how to effect their trades.
- **Settlement:** Settlement for all transactions is effected within the period of three business days from the date of the transaction so that there is fast and accurate clearing system.
- **Transaction Fees:** It offers a standard transaction fee on a trade but has a lesser rate on all high-volume trading activity.

Investor Protection and Risk Management:

- **Clearing and Settlement:** The SSE's clearing house is responsible for the post-transaction settlement of trades as well as risk management of counterparty transactions.
- **Investor Compensation Fund:** An insurance is created at inception with the purpose of paying out losses to investors in the event that brokers fail.
- **Dispute Resolution:** Investor-broker conflicts may be settled through arbitration under the provisions of the Foreign Investment Law adopted in 2015.
- **Market Surveillance:** Ongoing surveillance of the market transactions to check any foul play or cheating in stocks, stocks promotion and leakage of information to promoters.
- **Central Securities Depository (CSD)** The Somali Stock Exchange operates its vital entity called Central Securities Depository (CSD) under SSE ownership to manage the SSE ecosystem. Through the CSD traders can safeguard their securities while also facilitating settlement and transfers of exchange-traded securities. The Central Securities Depository stands as a fundamental institution for the securities market because it operates electronic systems that maintain security ownership records and facilitate automatic trade transactions between buyers and sellers thereby reducing risks regarding printed security certificates.

Corporate Governance and Disclosure:

- **Board Composition:** For independent directors at least one-third of members are required to be in the board.
- **Audit Committee:** Appointment of a new audit committee responsible for monitoring the financial reporting and its compliance.
- **Annual General Meetings (AGMs):** Companies must conduct Annual General Meetings and shareholders must be given an early chance to access their company's financial statements and business news.
- **Disclosure Requirements:** Public announcement of an important price-sensitive information, significant business transactions and the changing ownership structure.

Foreign Investment Facilitation:

- **Foreign Investment Law Compliance:** The SSE is in compliance with Somalia's Foreign Investment Law (2015) that do not distinguish between domestic and international investors.
- **Investor Incentives:** Beneficial factors that are attractive for foreign investment include privileges that include for instance long-term leases for up to 99 years for large investment.
- **Protection from Expropriation:** Foreign investors cannot be expropriated, there is an assurance for compensation and foreigners' disputes can be resolved through international arbitration.

Sectoral Opportunities:

The SSE aims to attract investments in key sectors, including:

- **Agriculture:** Support through the development of funds for agro-processing industries, assured water supply through irrigation and value addition on agricultural produce such as sesame, bananas, and cotton.
- **Fisheries:** Greater focus that can be made in infrastructure investments include cold storage, marine resource processing and value addition.
- **Energy:** In wind, solar, geothermal power as well as independent power production being under the renewables section.
- **ICT and Digital Economy:** Issues such as the spread of appropriate digital networks as well as solutions for online payments.
- **Real Estate:** Residential and commercial and industrial real estate properties' growth with special regard to contemporary ports and accesses.

Anti-Corruption and Transparency:

- **Compliance with Anti-Corruption Laws:** Any market actor operating in Somalia will have to follow the Anti-Corruption Law adopted in 2019 and be supervised by the Independent Anti-Corruption Commission.
- **Whistleblower Protection:** It is possible to guard against those who blow the whistle reporting various violations of regulations or market misdeeds.
- **Regulatory Transparency:** SSEs regulatory framework is open and allows access to rules, guideline and decisions of the commission.

Reporting Obligations:

- **Quarterly and Annual Reports:** The above-listed working capital management indicators are sourced from the quarterly and annual stated financial reports and Audited Accounts.
- **Material Event Reporting:** Transparent disclosure of any information regarding events that may affect the organizational financial situation and the trading share prices.
- **Public Access:** These comments include the following; financial reports and other information are disclosed to the public via an SSE's platform.

Penalties for Non-Compliance:

Companies and market participants found in violation of the SSE's rules and regulations may face penalties, including:

- **Fines:** Monetary fines based on the severity of the violation.
- **Suspension or Delisting:** Temporary suspension or permanent delisting from the SSE.
- **Legal Action:** Referral to regulatory authorities for further legal action.