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BANKIGA DHEXE EE SOOMAALIYA

البنك المركزي الصومالي

CENTRAL BANK OF SOMALIA

# GUIDELINES ON CORPORATE GOVERNANCE, FOR TAKAFUL OPERATORS, 2026

## CBS/TAK/GU/03

## Contents

**PART I — PRELIMINARY**

## 1. Introduction

1.1. The Central Bank of Somalia (hereafter – the Bank) requires takaful and retakaful operators (hereinafter referred to as "takaful operators" unless specifically mentioned) to establish and maintain a prudent corporate governance and Shariah governance framework to ensure ethical and sound management and oversight of the takaful operator’s business to ensure that participants' and stakeholders’ interests are safeguarded.

1.2. Corporate governance refers to the manner in which the Boards of Directors and senior management oversee and manage the takaful operator’s business.

1.3. These guidelines shall be read alongside the Guidelines on Shariah Governance.

## 2. Objectives

2.1. The objective of these guidelines is to establish the minimum requirements for takaful undertakings approach to corporate governance with a view to ensure—

a) Promote and maintain public confidence in takaful operators.

b) Alignment of the Board and senior management with their structure and responsibilities, fully recognizing the needs and expectations of the shareholders and participants.

c) To establish effective standards on corporate governance in the takaful market, consistent with the Takaful Act, Islamic financial standards and international best practices.

d) To ensure that takaful operators are managed in prudent manner by putting in place systems and process that identifies and corrects risks affecting their ability to meet participants obligations

e) Adequate measures are set in place to address issues of non-compliance; and

f) There is overall compliance with Shariah rules and principles.

## 3. Applicability

3.1. These guidelines shall apply to all licensed takaful operators in Somalia. The Bank will apply the principle of proportionality, meaning that smaller takaful operators can show how they meet the objectives without having to comply with every detail in the guidelines. The Bank will determine the level of compliance required from each takaful operator based on its size and circumstances.

## 4. Interpretation

4.1. AAOIFI means the Accounting and Auditing organization for Islamic Financial Institutions.

4.2. Board means the elected Board of Directors, which oversees the takaful operator.

4.3. Chief Executive Officer means one who has management responsibilities related to the general control, direction and supervision of the takaful operator, and is approved by the Bank.

4.4. Control Function means a function, whether in the form of a person, unit or department, that has a responsibility independent from business lines in a takaful and retakaful undertaking to provide objective assessment, reporting and assurance of the effectiveness of a takaful operator's policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance functions (including Shari'ah functions) and the internal audit function.

4.5. Fatawa means a juristic opinion or ruling given by a Shariah board or any other authoritative body or person, on any matter pertinent to Shariah issues, based on the appropriate methodologies.

4.6. Independent director means a director who is an independent professional free from any business relations or other associations, including those arising out of involvement in past management or as a supplier, customer or administrator that would inherently interfere with the exercise of independent judgement.

4.7. Shariah Board means a Board organized by a takaful operator to ensure Shariah compliance of its takaful and retakaful business.

4.8. Senior Management means a team of individuals at the highest level of the takaful operator's management who have the day-to-day responsibilities of managing the takaful business in accordance with the strategies, policies and procedures outlined by the Board.

4.9. Participant means a holder of a takaful certificate who signed the contract with the takaful operator and is obligated to pay the takaful contribution.

**PART II —CORPORATE GOVERNANCE FRAMEWORK**

## 5. Corporate Governance Framework

A takaful operator shall be required to have a corporate governance framework that offers—

a) Comprehensive allocation of responsibilities between the Board, senior management and key persons in control functions; and

b) Effective oversight of the takaful operator in a manner that protects the rights of takaful participants.

## 6. Responsibilities of the Board

6.1 The takaful operator's corporate governance framework shall contain :

a) a clear identification and segregation of strategic and operational roles and responsibilities for each organ of governance, including but not limited to the board and its committees, the senior management, and Shari'ah governance functions.

b) policies, processes and controls that define and support the takaful operator's strategies and objectives.

c) definition of the roles and responsibilities of persons accountable for management and oversight

d) procedures for addressing instances of non-compliance or deficiencies in supervision, controls, or management.

e) a corporate culture that upholds integrity, transparency, and accountability, fostering the achievement of the operator's long-term goals while safeguarding the rights and interests of takaful participants and other stakeholders.

6.2 Oversight and responsibilities of the Board

The Board must ensure that a takaful operator establishes robust corporate governance policies and procedures that are in line with its risk profile and the nature and scale of its activities. The Board shall ensure such policies are based on clear separation of the management and Board functions to enable the Board to exercise its oversight function over the management.

6.3 The Board shall—

a) Provide the overall direction of the takaful operator and takaful undertaking;

b) Ensure effective oversight of the senior management and their performance;

c) Ensure compliance with the laws and regulations.

d) Establish a sound and effective Shariah governance framework to ensure independent Shariah oversight . Implement any Fatawa issued by the Shariah board;

e) Set and periodically assess the—
   i. Takaful operator's objectives and the strategies for achieving them;
   ii. Risk management strategy; and
   iii. Corporate culture and values.

f) Ensure that the takaful operator's objectives, strategies and corporate culture and values are fully and clearly documented and communicated to senior management, key persons in control functions and any other relevant employees;

g) Establish independent risk management functions that monitor the takaful operator's related risks;

h) Establish and implement governance procedures that shall—

i. Set out the way in which the Board, Committees of the Board, Senior Management and key personnel in control functions carry out their responsibilities.

   ii. Develop a formal, documented process for the nomination, selection, and removal of the Board members with conflicts of interest;

iii. Set out the functions and responsibilities of the chairperson.
iv. Include processes and practices that require the Board to give appropriate attention to the need for succession planning and
v. Provide for the assessment by the Board of its performance.

i) Carry out annual assessments, alone or with the assistance of external experts, of the functioning of the Board as a whole, its committees and individual members;

j) Implement appropriate measures to address any identified inadequacies, including any training programs for Board members;

k) Ensure fair treatment of the shareholders, takaful participants and the takaful employees; and

l) Ensure the integrity of the takaful operator's accounting and financial reporting systems.

6.4 The Board shall ensure that its roles, responsibilities, composition and procedural conduct are documented in a Board Charter, which it shall periodically review.

6.5 The chair of the Board shall—

a) Be a non-executive and independent director.

b) Provide leadership to the Board and is responsible for its effective overall functioning.

c) Ensure that Board decisions are taken on a sound and well-informed basis;

d) Encourage and promote critical discussion and ensure that dissenting views can be freely expressed and discussed within the decision-making process;

e) Ensure that the Board's composition complies with the Takaful laws;

f) Ensure proper induction, training and continuous development of Board members; and

g) Ensure that there are formal succession plans in place for the Board.

6.6 The Board shall meet at least once every quarter. A secretary, who is not a Board member and is independent of the Company's management, must be appointed to the Board. The Board and its committees shall keep proper minutes that record the matters discussed, recommendations, decisions, reasons, and any differing views

## 7. Composition of the Board

7.1 The Board shall comprise of at least 5 members, of which a majority shall be citizens of Somalia for both locally incorporated and foreign takaful operators.

7.2 The Board term shall be for a maximum period of five (5) years, subject to a renewal for another 2 terms.

7.3 At least one-third of the Board members must be independent directors.

7.4 The Board shall consist of individuals who, at the time of their appointment and an on-going basis:

a) Meet the fit and proper criteria set out in this guideline.

b) Demonstrate the ability to exercise independent judgement.

c) Possess a balanced mix of skills, diversity and expertise appropriate to the size, nature of activities, complexity and risk profile of the takaful operator.

7.5 The takaful operator shall ensure, collectively, the Board members have adequate the knowledge and/or experience in the following areas: —

a) Actuarial and underwriting.

b) Investment analysis.

c) Takaful knowledge.

d) Islamic Finance and Accounting;

e) Shariah matters

f) Legal affairs; and

g) Any other field the Bank may deem necessary to approve.

## 8. Board Committees

8.1. The Board shall establish Board committees with specific responsibilities to assist the Board in the performance of its duties.

8.2. The Board may delegate specific authority, but not its responsibilities, to specialized Board committees.

8.3. These committees may include—

a) Audit committee.

b) Risk committee.

c) Nomination committee.

d) Investment Committee; and

e) Any other committee the Board deems necessary.

8.4. The Board shall assess whether the establishment of the Board committees—

a) Is appropriate and has clearly defined mandates and working procedures.

b) Has the authority to carry out their respective functions; and

c) Has a degree of independence and objectivity as appropriate to the role of the committee.

8.5. The committees shall have access to resources and external expert advice where necessary.

8.6. The Board and its committees may invite takaful operators' staff or external independent experts to attend meetings if necessary

8.7. There shall be transparency and full disclosure from the Board committee to the Board except when mandated otherwise.

8.8. The Board shall conduct an annual review of its performance, including that of its committees and individual members. This may be done internally or with the support of external experts.

8.9. Any committee established shall be—

a) A committee of the Board; and

b) Comprised solely of directors.

8.10. These committees shall have formally determined terms of reference, mandate, tenure limits, roles and functions and clear reporting procedures to the Board.

8.11. Board committees shall comprise of at least three members.

8.12. The Board shall ensure that the chairs of the audit and risk committees are independent members of the Board, who are different from the Board chair and from the chairs of other committees, and possess a strong experience in financial reporting and accounting (for Audit Committee) and risk management (for Risk Committee).

8.13. The audit committee shall carry out financial oversight to ensure compliance with the policies, laws, regulations and guidelines.

## 9. Responsibilities of Senior Management

9.1. The senior management of the takaful operator must:

a) Carry out the day-to-day operations of the takaful operator's activities effectively in accordance with:

i. the takaful operator's corporate culture; and
ii. the takaful operator's objectives and the business strategy.
iii. risk appetite approved by the Board

b) Promote sound risk management, compliance and fair treatment of takaful participants.

c) Implement the Board of Directors' and Shariah Board's decisions.

d) Provide the Board with adequate and timely information to enable the Board to carry out its duties and functions effectively; and

e) Maintain adequate and orderly records of the internal organization.

9.2. The senior management shall as part of its mandate ensure that the takaful operator's business, operations and activities are Shariah compliant at all times.

## 10. Chief Executive Officer

10.1. Every licensed takaful operator shall have a chief executive officer who shall be a full time employee of the takaful operator.

10.2. The Chief Executive Officer shall be responsible to the Board for the day to day running of the takaful operator.

10.3. The chief executive officer shall not be appointed unless—

a) The person satisfies the fit and proper criteria as prescribed in Form No. 11-3;

b) The person holds a degree in takaful, actuarial science, accounting, finance, banking or any other field as may be approved by the Bank; and

c) The Bank gives prior written approval of the appointment.

10.4. The duties of the chief executive officer shall include, but not be limited to:

a) Ensure the policies and strategies set out in the overall takaful operator's strategy shall be implemented.

b) Recommend to the Board competent officers to manage the operations of the takaful operator in line with the human resource policies in place.

c) Regular reporting to the Board about their operations, which covers:

i. The performance of the takaful business in contrast with the past or projected performances and the causes of any variations that may arise.
ii. The solvency requirements and structure.
iii. The income and expenditures.
iv. Reports on compliance with the Takaful Laws, regulations and guidelines, any violations of these laws, and the immediate actions to be taken; and
v. Any other areas that are relevant to the operations of the takaful operator.

## 11. Risk Management Functions and Internal Controls

11.1. Takaful operator must establish a sound and comprehensive risk governance framework that measures, evaluates, controls, monitors, mitigates and reports the material source of risk on a timely basis.

11.2. The Key persons in the risk management function shall—

a) Assist the takaful operator to identify, monitor and assess the key risks affecting the takaful undertaking and the actions taken to manage them.

b) Promote a sound risk management culture within the takaful operator.

c) Advise the Board regarding risk management decisions on strategic and operational matters; and

d) Possess qualifications in the fields of risk management, actuarial science and/or relevant work experience.

11.3. All licensed takaful operators shall develop and maintain internal control functions to ensure that—

a) The takaful business is conducted in accordance with the strategies and policies of the takaful operator.

b) The takaful operator is able to monitor and assess the adequacy of capital resources with regard to its business.

c) The takaful operator is effectively able to guard against involvement in any financial crimes and is in compliance with the Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation.

d) All contingency arrangements are in place and tested at all intervals; and

e) Adequate controls are in place with regards to Information Technology systems.

## 12. Actuarial Function

12.1. Every takaful operator shall establish an actuarial function which shall be headed by a person approved by the Bank.

12.2. The role of the actuarial function shall be to evaluate and provide actuarial advice to the takaful operator.

12.3. Every takaful operator shall appoint a signing actuary in accordance with the provisions of this law and upon written approval from the Bank, who shall:

a) Certify that the valuation of takaful liabilities is in accordance with the actuarial and Shariah principles.

b) Prepare the financial condition report (FCR);

c) Assess the strength of the takaful funds and offer recommendations to the Board with regards to surplus distribution.

d) Ensure the accuracy of business database for these tasks.

e) Advice on the apportionment of contributions and surrender value; and

f) Assist in product design and risk mitigation, including retakaful and other related risk management roles.

12.4. The takaful operator's actuarial function shall report primarily to the Chief Executive Officer, while also having the right to communicate directly with the Board, the Audit Committee, and/or the Risk Committee.

## 13. Internal Audit Function

13.1. Every takaful operator shall establish an internal audit function, including an internal Shari'ah audit function, that shall serve to offer assurance on the financial reporting and overall effectiveness of the governance framework of the takaful operator.

13.2. The board of the takaful operator shall ensure that the internal auditor retains independence in accordance with the International Financial Reporting Standards, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), laws and regulations and policies of the takaful operator.

13.3. The internal auditor shall—

a) Conduct assessment of the risk management strategy, policies, procedures and controls to ensure their effective implementation.

b) Carry out periodic reviews of the risk management and compliance functions.

c) Review the operations of any department, unit or function within the takaful undertaking.

d) Monitor the company's information systems; and

e) Carry out any other tasks consistent with the internal audit function.

13.4. The Board shall on an on-going basis monitor that the internal audit—

a) Has established and follows an approved risk-based internal audit plan.

b) Proposes adaptations to the internal audit plan; and

c) Regularly reviews the takaful operator's risk apatite.

## 14. External Audit

14.1. Every takaful operator shall appoint an external auditor for the financial year at its annual general meeting of shareholders.

14.2. The external auditor shall audit the operations and finance of the takaful operator by the provisions of the Takaful Law.

14.3. The external auditor shall be independent with no conflict of interest with the takaful operator.

14.4. The external auditor shall conduct an audit of the takaful operator's financial statements and report to the takaful operator according to the International Standards on Auditing (ISA) and the AAOIFI and report the findings at the end of every financial year.

14.5. The duties of the external auditor shall be to—

a) Audit the takaful operators' financial statements and report to the Board and the Bank in accordance with the AAOIFI and International Standards on Auditing; and

b) Certify whether the takaful operator complies with the matters and obligations specified under the Company law, Takaful Law, Regulations and Guidelines.

14.6. The takaful operator shall provide the external auditor's report to the Bank in a timely and unrestricted manner.

14.7. Where the Bank is satisfied that the external auditor has acted in an unethical or illegal manner, the Bank shall request the Board of the takaful operator to terminate the services of the external auditor.

14.8. In order to maintain independence, the takaful operators shall ensure a mandatory rotation of the external auditors after a period of seven (7) years.

## 15. Additional Information on Control Functions

15.1. The takaful operator may outsource an expert in a control function and ensure the same degree of oversight and accountability with a non-outsourced function.

15.2. The takaful operator may combine one or more control functions subject to these guidelines.

15.3. The control functions shall be combined by the Board, with the approval of the Shariah board, upon satisfaction that the independence, objectivity and effectiveness of the control function shall not be affected in any way.

15.4. The actuarial and the audit functions shall remain independent and not be combined with each other or any other functions.

15.5. For the combined functions, the takaful operator shall appoint an individual who shall have the overall responsibility and oversight of the combined control functions, and this person shall be regarded as a key person in both functions combined.

## 16. Key Persons in a Control Function

16.1. The Board of a licensed takaful operator shall ensure that a key person in a control function:

a) Shall not be involved in performing activities that he/she is responsible for monitoring.

b) Is not in a position that will conflict with the duties of the control function.

c) Is not subject to any undue influence or pressure with regards to carrying out the duties in the control functions.

d) Has access to documents and information relating to the takaful operator; and

e) Has sufficient human and non-human resources to perform their duties and responsibilities effectively.

16.2. Every takaful operator shall ensure that a key person in a control function—

a) Satisfies the fit and proper criteria established by the Board ;

b) Possesses the necessary skills and qualifications required to perform the control function; and

c) Is appointed upon prior written approval from the Bank.

## 17. Enforcement

17.1. The Bank shall ensure compliance with these guidelines by all takaful operators.

17.2. In the event of a breach, the Bank may take supervisory measures and apply sanctions it deems appropriate. Enforcement actions shall be taken without prejudice to other powers of the Bank under the applicable laws and regulations.