FEDERAL REPUBLIC OF SOMALIA

or

DRAFT

FINANCIAL INSTITUTIONS BILL

2025

THE FINANCIAL INSTITUTIONS LAW 2025

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PART I - PRELIMINARY PROVISIONS

1. Short title

This Law may be cited as the Financial Institutions Law, 2025.

2. Interpretation

In this Law, unless the context otherwise requires;

“affiliate” in relation to a financial institution, means a subsidiary of the financial institution or a company of which the financial institution is a subsidiary or a company that is under common control with the financial institution;
“assigned capital” in relation to a bank incorporated outside Somalia and having a branch or subsidiary in Somalia, means capital consisting of funds transferred from abroad and such other funds as may be determined by the Central Bank;

“associate”—

(a) in relation to a company or other body corporate means-

(i) it’s holding company or its subsidiary;

(ii) a subsidiary of its holding company;

(iii) a holding company of its subsidiary;

(iv) it’s non-operating holding company as its subsidiary;

(v) a subsidiary of a non-operating holding company;

(vi)

(vii) any person who controls the company or body corporate whether alone or with his associates or with its associates;

in relation to an individual means—

(i) any member of his family;

(ii) any company or other body corporate controlled directly or indirectly, by him whether alone or with his associates;

(b) and a person shall be deemed to be a member of a family if he is the parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild and adopted child of the person concerned, and in case of an adopted child his adopter or adopters;.

"bank" means a company which carries on or has been licensed to carry on banking business in Somalia but does not include the Central Bank;

"banking business" means the business of:

- accepting from members of the public of money on deposit repayable on demand or at the expiry of a fixed period or after notice;
- accepting from members of the public of money on current account and payment on and acceptance of cheques;
- employing of money held on deposit or a current account, or any part of the money, by lending, investment or in any other manner for the account and at the risk of the person so employing the money; and

"banking group" means a licensed financial institution and its subsidiaries, non-operating holding companies and subsidiaries of its non-operating holding companies;

"book" includes any record, register, document or other record of information and any account or accounting record, however compiled, recorded or stored, whether in written, printed form or on microfilm or by electronic process or otherwise;

"beneficial owner " means an individual who —

- exercises control over a financial service provider, legal person or arrangement; or
- owns or controls a customer or the person on whose behalf a transaction is conducted and, where two or more persons are associated through the beneficial ownership of shares in the same company, each person shall be a beneficial owner of the aggregate number of shares of the company;

"board" means the governing body of a financial institution;

"branch" means any permanent premises, other than its head office, at which a financial institution transacts business in or outside Somalia;

"branchless banking" means the provision of banking services or financial institution services by a financial institution without relying on physical branches;

"building society" means a society formed for the purpose of raising by subscriptions of members a stock or fund from which to make advances to members;

"building society business" –

- means the business of raising by subscriptions of members a stock or fund from which to make advances to members; and

- includes such other activities as may be prescribed in Regulations;

"capital" means paid-up share capital or, in the case of a financial institution incorporated outside Somalia, its assigned capital;

"Central Bank" means the Central Bank of Somalia established by the Central Bank of Somalia Law;

"company" –

- means any company defined in any written law for the time being in force relating to companies, and any company incorporated or registered under any written law in force in Somalia and includes; anybody corporate or un- incorporate, whether incorporated, formed or established outside Somalia; and

- includes any entity classified as a financial institution under this Law;

"consumer" –

(a) means any entity or person who uses, has used, or is or may be contemplating using directly or indirectly any of the products or services provided by a financial institution; and

(b) includes a customer of a financial institution;

"control" includes-

(a) the ability to influence, whether directly or indirectly, the composition of the board of directors of a company or any other body corporate;

(b) holding, directly or indirectly, whether personally or through a holding company or companies or subsidiaries thereof, or in any other way, an aggregate of twenty per centum or more of the voting power of a company or body corporate, whether alone or with associates or with other associates of the company or body corporate; or

(c) as may be determined by the Central Bank, where a person has the ability to exercise a dominant influence over the management or policies of a company or body corporate on the basis of an agreement or by any other means, regardless of the amount of formal ownership or voting rights;.

“core capital” means permanent shareholders’ equity in the form of issued and fully paid-up shares of common stock, or in the case of foreign incorporated banks, of the assigned capital, plus all disclosed reserves, less goodwill or any other intangible assets;

“credit” means any commitment to disburse a sum of money without markup or in exchange for a right to repayment of the amount disbursed and outstanding and to payment of or other charges on such amount

“credit institution” means a person, other than a bank or a non-bank deposit taking financial institution, whose business is that of money lending or investment, who provides, advertises or holds himself out in any way as providing that business, whether or not he possesses or owns property or money derived from sources other than the lending of money, and whether or not he carries on the business as a principal or as an agent;

“credit reference bureau” means an entity specialized in the collection, consolidation, collating and sale of credit performance information for individuals and companies;

“credit reference bureau business” –

(a) means the business of collecting, consolidating, collating and disseminating credit performance information for individuals and companies in such manner as may be prescribed; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

“current account” means an account maintained by a bank for and in the name of, or in the name designated by a customer of the bank into which money is paid by or for the benefit of such customer and on which cheques and other bills of exchange may be drawn by, and transfers and other banking transactions made on the instructions of, the customer:

"deposit" means money lodged by a person with another person-

(a) on terms that it will be repaid at a later date with or without interest/profit, or at negative interest/profit; and

(b) which does not relate to the provision of property or services under a contract of sale, hire, or security for performance of a contract; and any references in this Law to the taking or the making of a deposit shall be construed accordingly;

“deposit/savings” means money lodged or disbursed in compliance with Shariah principles

(a) on terms without markup, to be returned upon the customer’s request, on a later date, or under agreed circumstances. Or

(b) money lodged for investment, deposited by the customer in a financial institution with the intention of sharing both profit and loss, and

(c) which does not relate to the provision of property or services under a contract of sale, hire, or security for performance of a contract; and any references in this Law to the taking or the making of a deposit shall be construed accordingly;

"development finance business"-

(a) means the business of providing risk capital for economic development projects on non-commercial basis; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

"director" includes any person occupying the position of director of a company by whatever name called and includes a person in accordance with whose directions or instructions the directors of a company are accustomed to act and an alternate or substitute director;

"disclosed reserves" includes all reserves created or increased through share premiums, retained profits (after deducting all expenses, provisions, taxation and dividends) and general reserves if the disclosed reserves are permanent and unencumbered and thus able to absorb losses;

"entity" means a body corporate, body incorporate, trust, partnership, society, fund, organization or any other person;

"exposure" includes loans, advances, overdrafts, holding of papers as well as off balance sheet commitments such as acceptances, guarantees, underwriting, endorsements, placements, documentary credits, performance bonds and other contingent liabilities;

"financial institution" means a company licensed to carry on or conduct financial institution business in Somalia and includes a bank, microfinance bank, mortgage finance company, foreign exchange bureau, money transfer provider; credit reference bureau; building society, savings and credit cooperative society (SACCO), post office savings bank, , financial leasing service provider, hire purchase service provider, development finance institution or any institution which by Regulations is classified as a financial institution by the Central Bank;

"financial institution business" includes-

(a) banking business;
(b) microfinance Institution business;
(c) foreign exchange bureau business;
(d) mortgage finance business;
(e) money transfer business;
(f) credit reference bureau business;

(g) building society business;
(h) savings and credit cooperative society (SACCO) business;
(i) financial leasing business;
(j) hire purchase business license;
(k) development finance business; and
(l) such other businesses as the Central Bank may prescribe in Regulations;

"financial leasing business" –

(a) means the business of financing a leased asset whereby the lessee pays rentals to the lessor or the financing entity and upon the expiry of the lease period, the lessee has the option of acquiring ownership of the asset; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

"financial statements" include the balance sheet, profit and loss accounts, statements of funds flow and notes to the financial statements;

"fit and proper person" means a fit and proper person as determined according to the criteria prescribed in Regulations by the Central Bank;

"foreign bank" means a bank which is incorporated outside Somalia lawfully licensed to carry out banking business in that jurisdiction under the supervision of the relevant banking supervisory authority;

"foreign exchange bureau" means a body corporate licensed as such by the Central Bank to carry on foreign exchange business;

"foreign exchange business" means the business of –

(a) buying and selling of foreign currency,

(b) money or value transfer services; and

(c) such other activities as may be prescribed by the Central Bank;

"group" means a non-operating holding company, its subsidiaries and all associated companies of the parent or its subsidiaries;

"hire purchase business" –

(a) means the business whereby a buyer makes an initial down payment to the owner of an asset and assumes possession and use of the asset and pays the balance of the purchase price plus interest/profit in instalments and upon full payment of the purchase price of the asset, the buyer acquires ownership of the asset;

(b) includes the financing of a hire purchase; and

(c) includes such other activities as the Central Bank may prescribe in Regulations;

“home regulator” means the supervisory authority of the home country where the head office of the parent financial institution is based;

“individual” means a natural person;

“insider” means a director or person who has executive authority or a shareholder of a financial institution and includes any related person and any related interest of such person;

“insolvency” means a situation where a financial service provider –

(a) is unable to pay debts as they fall due;
(b) has assets that are insufficient to meet liabilities; or
(c) has regulatory capital which is below the prescribed minimum;

“Islamic banking” means banking business carried on in accordance with Shariah Principles;

“large exposure” means credits a person or a group of persons owe to a financial institution and which represent and which represent a significant exposure, as the Central Bank may prescribe in Regulations;;

“licence” means a licence granted by the Central Bank under this Law;

“major investment” means holding by a financial institution in an entity that represents at least ten percent of the equity capital of the entity or a shareholding that exceeds ten percent of the regulatory capital of the financial institution;

“members of the public” means individuals, partnerships, corporate bodies and trustees or managers of trusts, pension and provident funds or other similar funds;

“manager” means a Senior management of a financial institution who is in a position to control, direct or influence decision making in a matter relating to financial institution business;

“microfinance bank” means a company licensed to carry on, conduct, engage in or transact microfinance business in Somalia;

“microfinance bank business” means the business of accepting deposits from and providing short-term loans to small micro enterprises and low income households, usually characterized by the use of collateral substitutes, such as group guarantees;

“Minister” means the minister for the time being responsible for matters relating to finance;

“money transfer business” means-

(a) the business of accepting cash, cheques, other monetary instruments or other stores of value in one location and paying a corresponding sum in cash or other form to a beneficiary in another location, by means of a communication, message, transfer or through a clearing network; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

“money laundering” means the conversion or transfer of any property including money, knowing it is derived from a criminal offence, for the purpose of concealing or disguising its illegal origin or of assisting any person who is involved in the commission of the crime to evade the legal consequences of its actions; the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property knowing that it is derived from a criminal offence; or the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence;

“mortgage finance business” –

(a) means the business of accepting of deposits and financing of loans for commercial and residential real estate construction and purchase; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

“non-operating holding company” means a company, other than the financial institution, which has approved control of a financial institution and whose activities are limited to holding investments in subsidiaries, holding properties used by group members; raising funds to invest in, or to provide support to, subsidiaries, raising funds to conduct its own limited activities, investing funds on behalf of the group, conducting activities required for its own limited functions, and providing administrative, risk management and financial services to support the efficient operation of the group;

“Senior management”, in relation to a financial institution, means a director or any other person, by whatever name or title he may be called or described, who carries out or is empowered to carry out functions relating to the overall direction, in Somalia, of that financial institution or takes part in the general management thereof in Somalia;

“person” means any individual, a personal representative, company, partnership, trust, fund, foundation or enterprise wherever located or incorporated;

“place of business” means premises, including head office, a branch, sub-branch, marketing unit, sales centre, mobile unit, agent premises, third party premises or such other premises as may, from time to time, be prescribed by the Central Bank, at which a financial institution transacts business and which is open to the public;

“public entity” means the Government, a local authority or a public body declared by the Minister to be a public entity for the purposes of this Law;

“regulatory capital”, and its components, as the Central Bank may prescribe in Regulations;

“related party” in relation to a financial institution means-

(a) a person who has significant interest in the financial institution or the financial institution has significant interest in the person;
(b) a director or senior management of the financial institution or of a body corporate that controls the financial institution;
(c) the spouse, a child, the parent or ascendant or descendant of a natural person covered in paragraphs (a) and (b);
(d) an entity that is controlled by a person described in paragraphs (a) to (c); or
(e) a person or class of persons who has been designated by the Central Bank as a related party because of its past or present interest in or relationship with the financial institution being such that it might be reasonably expected to affect the exercise of best judgment of the financial institution in respect of a transaction;

“savings and credit cooperative society (SACCO)” means a financial institution whose principal business is to encourage thrift among its members and to create a source of credit for its members;

“savings and credit cooperative society (SACCO) business” –

(a) means the business whose principal activity is to encourage thrift among its members and to create a source of credit for its members; and

(b) includes such other activities as the Central Bank may prescribe in Regulations;

“senior management” means a person who manages or controls a financial institution licensed under this Law, and includes—

(a) the chief executive Senior management, deputy chief executive Senior management, chief operating Senior management, chief financial Senior management, secretary to the board of directors, treasurer, chief internal auditor, or manager of a significant unit of a financial institution licensed under this Law;

(b) a person with a similar level of position or responsibilities as a person described in paragraph (a);

“significant shareholder” means a person, other than the Government or public entity, who holds, directly or indirectly, or otherwise has a beneficial interest amounting to, five per cent or more of the share capital of a financial institution or a corporate entity seeking to become a financial institution;

“supplementary capital” means general provisions which are held against future and presently unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on business premises which arise periodically from independent valuation of such premises, and any other form of capital as may be determined from time to time by the Central Bank;

”total capital” means the total sum of core capital and supplementary capital;

“total deposit liabilities” means the total deposits, in or outside Somalia, in any deposit taking financial institution which are repayable on demand or after a fixed period or after notice;
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“undercapitalized” means a financial institution that does not fully comply with the capital requirements prescribed in this Law or Regulations;

3. Objectives

The objectives of this Law are-

(a) to provide a framework for the licensing, regulation and supervision of financial institutions; and

(b) to set standards and prudential rules to which financial institutions are subject with a view to promoting and maintaining a safe, stable and sound financial system.

4. Application of Law

This Law shall apply to all financial institutions specified in this Law and such other financial institutions as may be prescribed in Regulations by the Central Bank.

PART II - LICENSING

5. Authority to license, regulate and supervise financial institutions

The authority to license, regulate and supervise financial institutions shall be vested in the Central Bank.

6. Categories of licenses

(1) Licenses shall be categorized as follows-
- (a) banking business license;
- (b) microfinance institution business license;
- (c) foreign exchange bureau business license;
- (d) mortgage finance business license;
- (e) money transfer business license;
- (f) credit reference bureau business license;
- (g) building society business license;
- (h) savings and credit cooperative society (SACCO) business license;
- (i) financial leasing business license;
- (j) hire purchase business license;
- (k) development finance business license; and
- (l) such other category as the Central Bank may prescribe in Regulations.

(2) A person may be issued with one or more licenses, upon appropriate application to the Central Bank and upon meeting the prescribed requirements for each license.

(3) A financial institution shall only conduct the business or businesses specified in its license.

(4) A license may be amended to add or remove a category of licenses.

(5) The Central Bank shall issue specific Regulations for the regulation of each of the categories of businesses covered under sub-article (1).

7. Prohibition against carrying on business without a license

No person shall carry on financial institution business without a license issued by the Central Bank.

8. Application for license

(1) Any person seeking to conduct financial institution business shall apply to the Central Bank for a license.

(2) The application shall be made in the prescribed form and shall be accompanied by the documents, information, application fees and license fees as the Central Bank shall prescribe in Regulations.

(3) The application shall specify the category of license applied for.

(4) In the case of a foreign financial institution seeking to be licensed as a branch or subsidiary, in addition to the information required under sub-article (2), the foreign applicant shall meet the following conditions-

(a) the foreign applicant is licensed as a financial institution in its country of origin;
(b) the foreign applicant has set aside adequate capital as assigned capital for its intended business operations in Somalia and the assigned capital shall never be removed from Somalia;
(c) the foreign applicant has obtained a no-objection from the supervisor in the country of origin;
(d) the supervisor in the country of origin of foreign applicant exercises global consolidated supervision;
(e) the foreign applicant holds proof of consent of the supervisor in the country of origin for information sharing and cooperation with the Central Bank; and
(f) other conditions as the Central Bank may prescribe.

(5) The Central Bank shall prescribe in Regulations requirements for the licensing of financial institutions, which shall provide different requirements for different categories of financial institution businesses.

9. Grant of license

(1) Upon receipt of an application for a license, the Central Bank shall review the application and notify the applicant of any missing information or additional information required.

(2) Where an applicant has submitted a complete application, the Central Bank shall process the application and make a decision thereon.

(3) The Central Bank may grant a license to an applicant if it is satisfied as to the following-

(a) completeness and validity of the documents and information submitted;
(b) the applicant has the required paid-up capital and the sources of the capital are legitimate and clear;

(c) the shareholders of the applicant have adequate means and ability to provide additional capital, when needed;

(d) the qualifications, competence and experience of the proposed members of the board of directors and senior management of the applicant are relevant, and that all of these individuals are fit and proper as per the prescribed fit and proper assessment criteria;

(e) the board has collective sound knowledge of the material activities the applicant intends to carry out and the associated risks;

(f) the ownership and management structure of the applicant-

(i) is sufficiently transparent to enable an effective prudential and consolidated supervision; and

(ii) shall not hinder effective implementation of corrective measures in future;

(j) shareholders with significant shareholding in the applicant including ultimate beneficial owners are suitable and trustworthy to ensure sound and prudent management of the applicant and have not been involved in money laundering, terrorism financing or other criminal activities;

(k) the projections concerning the financial status of the applicant are documented and demonstrate a sound financial basis for carrying out the specified business of a financial institution;

(l) an appropriate system of corporate governance, risk management and internal controls, including those related to the detection and prevention of criminal activities, as well as the oversight of proposed outsourced functions, will be in place;

(m) the structure, functioning, policies as well as internal controls of the applicant are appropriate for the envisaged operations or business; and

(n) such other requirements as shall be prescribed in the Regulations.

(4) The Central Bank shall specify in the license the category of business for which the license has been granted.

(5) A license may be issued with or without conditions and such conditions may be amended, altered, varied or substituted as may be determined by the Central Bank either on its own motion or on an application by a financial institution.

(6) The Central Bank shall, within fourteen days from the date of issue of a license publish in the *Official Bulletin* or its website, the name of the licensed financial institution, its category of license and the date of the license.

(7) The Central Bank shall not license a Shell bank.

10. Validity of license

A license issued under this Law shall be valid in such manner as shall be prescribed in Regulations.

11. Rejection of application

(1) Where an applicant has not met all licensing requirements or the information submitted is inadequate, the Central Bank may reject the application and the decision rejecting the application together with the reasons thereof shall be communicated to the applicant within ten days from the date of the decision.

(2) An applicant whose application has been rejected may appeal to the Central Bank for reconsideration of its application.

(3) Where an appeal has been lodged with the Central Bank under sub-article (2), the Central Bank shall constitute a team of Senior managements who never took part in the processing of the license application, to determine the appeal.

(4) The process relating to rejection of application shall be prescribed in Regulation.

12. Display of license

A financial institution shall at all times display a copy of its license in a public and prominent place within its places of business.

13. Register of financial institutions

(1) The Central Bank shall establish and maintain up to date a register of all licensed financial institutions and representative offices of foreign financial institutions.

(2) The register referred to in sub-article (1) shall be published in the Central Bank's website and in such other manner as the Central Bank may determine.

14. Power to investigate illegal business

(1) Where the Central Bank reasonably suspects that a person may be engaging in a financial institution business without a license issued under this Law, the Central Bank through its Senior managements or other persons may, with or without the assistance of a law enforcement agency-

(a) enter any premises and conduct a search;

(b) access any document, information, record, computer system or any other item relevant to the investigation;

(c) carry away any document in its original form or copy; and any other item that may be needed for further investigations;
(d) request any person to produce any document, information, record, or any other item as the person conducting the investigation may require;
(e) orally examine any person on any matter relating to the business;
(f) direct the person conducting the business to stop forthwith from conducting the business either temporarily pending the finalization of the investigations or permanently; and
(g) take any other action to further investigation as the person may deem necessary.

(2) The Central Bank may, instead of investigating a matter falling under this article, refer the matter to a law enforcement agency for investigation and appropriate action.

15. Representative office of a foreign bank

(1) The Central Bank may authorize a foreign bank to establish a representative office in Somalia.

(2) The Central Bank may in Regulations prescribe authorization, operation and reporting requirements for a representative office of a foreign bank or other foreign financial institution.

(3) A representative office shall not conduct any business or carry out any activity which requires a license under this Law.

17. Islamic banking

(1) A bank may conduct banking business in accordance with Shariah Principles.

(2) A bank that seeks to conduct Islamic banking business shall seek the approval of the Central Bank.

(3) The Central Bank may prescribe in Regulations the framework within which Islamic banking and other financial institution business may be conducted in accordance with Shariah Principles.

Any financial institution business conducted in accordance with Shariah Principles shall comply with the provisions of this Law and Regulations, except as may be provided otherwise in Regulations.

PART III - PRUDENTIAL RULES AND LIMITS APPLICABLE TO FINANCIAL INSTITUTIONS

17. Permissible activities of a bank

(1) A bank may engage in the following activities-

(a) acceptance of deposits;

(b) grant loans and extend credit, whether secured or not;

(c) financial leasing;

(d) deal as a principal or an agent in the currency of Somalia and in the currency of any other country;

(e) foreign exchange transactions;

(f) provide money transfer or transmission services;

(g) issue and administer payment, credit or debit cards, cheques, bankers' draft and, in cooperation with other service providers, the operation of payment, credit card and debit card systems;

(h) act as a trustee, executor or administrator of an estate or in any fiduciary capacity for any person;

(i) money broking;

(j) act as a financial agent for any person;

(k) credit reference services;

(l) safekeeping and custodial services; and administration of valuables, including securities;

(m) provide merchant banking services, including the arrangement and underwriting of shares, trade financing, corporate financing and provision of financial advice;

(n) buying and selling shares on behalf of customers

(o) portfolio management and advice;

(p) advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings;

(q) deal as a principal or agent for its customers in financial derivatives;

(r) provide branchless banking services;

(s) issue guarantees and commitments;

(t) development financing;

(u) mortgage financing;

(v) entering into hire-purchase contracts;

(w) trading from own account for treasury management activities

(x) trading for own account or for account of customers in -

(i) money market instruments such as cheques, bills, and certificates of deposit;

(ii) foreign exchange;

(iii) financial futures and options;

(iv) exchange and interest-rate/profit-rate instruments;

(v) transferable securities; and

(y) any other activity as the Central Bank may prescribe or approve.

(2) The Central Bank shall in Regulations, prescribe permissible activities for the other financial institutions.

(3) A financial institution may through a subsidiary engage in insurance business or participate in securities issues and the provision of services related to such issues.

18. Minimum paid-up capital

(1) The Central Bank shall, in Regulations prescribe the minimum paid up capital for financial institutions.

(2) The Central Bank may through Regulations and from time to time, increase the minimum paid up capital and impose security deposit for financial institutions.

19. Regulatory capital

(1) The Central Bank shall in Regulations prescribe the composition of the regulatory capital for financial institutions.

20. Regulatory Capital adequacy ratios

(1) A financial institution must at all times maintain regulatory capital adequacy ratios as may be prescribed by the Central Bank in Regulations, on a solo and consolidated basis.

(2) The Central Bank may require a financial institution, on a solo or consolidated basis, to maintain higher regulatory capital adequacy ratios depending on its risk profile.

21. Regulatory Capital Requirements

The Central Bank may impose by a directive or through Regulations, regulatory capital requirements for specific risks at financial institutions.

22. Liquidity requirements

(1) A financial institution must maintain, on a solo and consolidated basis, its assets, liabilities, and off-balance sheet obligations in such a manner as to be able to meet its financial obligations as and when they fall due.

(2) A financial institution must provide, on a solo and consolidated basis, sufficient liquidity to orderly meet its financial obligations on a timely manner, when they are due.

(3) The Central Bank may in Regulations prescribe liquidity ratios to be maintained by a bank or any other financial institution and the Regulations may provide for the minimum holding of liquid assets and other liquidity requirements.

23. Cash reserves with the Central Bank

(1) A bank shall keep with the Central Bank such cash reserve and at such ratio as the Central Bank may from time to time specify in directives.

(2) Cash reserve ratio shall be a ratio of total deposit liabilities of a bank calculated in such manner and at a particular point in a year as the Central Bank may specify.

(3) The Central Bank may in directives specify-

(a) other categories of financial institutions that shall keep cash reserves with the Central Bank; and

(b) different cash reserve ratios for different categories of financial institutions.

24. Restrictions on shareholding in a financial institution

(1) A person shall not directly or indirectly own or acquire or otherwise have a beneficial interest in more than twenty five percent of the shares of a bank.

(2) The Central Bank may upon an application, exempt a person from the limitation under sub-article (1) for such conditions and for such period as the Central Bank may specify.

(3) The shareholding limit under sub-article (1) shall not apply to the following entities-

(a) the Government of Somalia;
(b) a foreign sovereign state.
(c) a public entity;
(d) an multinational institution; and
(e) a non-operating holding company approved by the Central Bank.

(4) The Central Bank shall prescribe in Regulations shareholding limits for other financial institutions and the Regulations may provide for exemptions and other requirements as the nature of the business of a financial institution may render necessary.

25. Non-operating holding company

(1) The Central Bank may approve a limited liability company as a non-operating holding company of a bank.

(2) No company shall be approved as a non-operating holding company unless the Central Bank is satisfied as to-
- (a) the diversity of its shareholding structure or that of its group;
- (b) its business record or the business record of its shareholders;
- (c) the financial condition and history of the company or its shareholders;
- (d) the character of its management;
- (e) the suitability of its direct and indirect significant shareholders including the ultimate beneficiaries who are significant shareholders in the company;
- (f) the adequacy of its capital structure and earning prospects;
- (g) its ability to provide or inject on short notice, additional capital into a financial institution in which it is a shareholder, in case of need; and
- (h) such other requirements as may be prescribed in Regulations.

(3) An approved non-operating holding company may wholly or jointly own a financial institution.

(4) The Central Bank shall prescribe in Regulations the framework for the approval and operation of non-operating holding companies and any matter relating thereto.

26. Disclosure of shareholders

Where any share is held by a company, other body corporate or by a nominee, representative or agent on behalf of another person, the company, other body corporate, nominee, representative or agent, as the case may be, shall disclose to the financial institution and to the Central Bank the full particulars of the shareholder and the individual who is the ultimate beneficial owner of the share.

27. Condition for acquisition or transfer of significant holding or controlling interest in a financial institution

(1) No person shall acquire or transfer directly or indirectly a significant shareholding or controlling interest in a financial institution without the prior approval of the Central Bank.

(2) The Central Bank shall in Regulations prescribe the requirements to be met to acquire or transfer a significant shareholding or controlling interest in a financial institution.

(3) Any person who acquires or transfers significant shareholding in a financial institution contrary to sub-clause (1)-

(a) shall lose the right to receive dividends, the voting right and other rights attached to such shares;
(b) may be suspended from exercising his voting rights in the financial institution for such period as the Central Bank may impose; or
(c) may lose all his voting rights or any other rights in the management of the financial institution and the Central Bank may take measures to transfer the shares of the concerned shareholder to another existing or new shareholder of the financial institution.

(4) A financial institution shall periodically notify the Central Bank of any transfer or acquisition of shares of the financial institution, which fall below the prescribed significant shareholding limit.

(5) A financial institution shall notify the Central Bank as soon as it becomes aware of any material information which may negatively affect the suitability of a significant shareholder or a party that has a controlling interest.

28. Grounds for rejection of a proposal for increase, acquisition or transfer of shares

The Central Bank may reject an application for the increase, acquisition or transfer of shares in a financial institution that may-

(a) compromise the quality of the financial institution's management or its financial soundness;
(b) jeopardize the interests of the financial institution's depositors, in the case of a deposit-taking financial institution; or
(c) hinder effective supervision of the financial institution.

29. Disclosure of violation of provisions relating to significant holding

Any member of the board of directors, the Chief Executive Senior management and the external auditor of a financial institution shall immediately notify the Central Bank of any increase, acquisition or transfer of significant shareholding in a financial institution which may have been done without the prior approval of the Central Bank, if this fact comes to his knowledge.

30. Obligations to increase or reduce significant shareholding in a financial institution

The Central Bank may require any significant shareholder or any person with a controlling interest in a financial institution to increase or reduce his shareholding if the situation of the financial institution renders it necessary.

31. Approval of acquisition or amalgamation of financial institutions

(1) Without prejudice to the provisions of the law governing companies, the Central Bank may grant approval for-

(a) two or more financial institutions to amalgamate or merge; or

(b) acquisition of all or part of the assets and liabilities of one financial institution by another financial institution.

(2) The Central Bank shall in Regulations, prescribe the framework and requirements for application and approval of transfer, acquisitions and amalgamations or mergers.

32. Effect of transfer, acquisition or amalgamation

(1) Upon the coming into effect of a transaction effecting the transfer, acquisition or amalgamation of one financial institution by another financial institution, or effecting the transfer of all or part of the assets and liabilities of one financial institution to another financial institution-

(a) all the assets and liabilities of the amalgamating institutions or, in the case of a transfer of assets and liabilities, those assets and liabilities of the transferor financial institution that are transferred in terms of the transaction shall vest in and become binding upon the amalgamated financial institution or, as the case may be, the receiving financial institution;

(b) the amalgamated financial institutions or, in the case of the transfer of assets and liabilities, the receiving financial institution shall have the same rights and be subject to the same obligations as those which the amalgamating financial institution or, as the case may be, the transferor financial institution may have had or to which they or it may have been subject immediately before the amalgamation or transfer;

(c) all agreements, appointments, transactions and documents entered into, made, drawn up or executed with, by or in favour of any of the amalgamating financial institutions or, as the case may be, the transferor financial institution and in force immediately prior to the amalgamation, acquisition or transfer, but excluding such agreements, appointments, transactions and documents that, by virtue of the terms and conditions of the amalgamation, acquisition or transfer, are not to be retained in force, shall remain in full force and effect and shall be construed for all purposes as if they had been entered into, made up or executed with, by or in favour of the amalgamated financial institution or, as the case may be, the receiving financial institution or person to whom the assets and liabilities in question are transferred; and

any bond, pledge, guarantee or instrument to secure future advances, facilities or services by any of the amalgamating financial institutions or, as the case may be, by the transferor financial institution, which was in force immediately prior to the amalgamation or transfer, shall remain of full force and effect and shall be construed as a bond, pledge, guarantee or instrument given to or in favour of the amalgamated financial institution or, as the case may be, the receiving financial institution or person to whom such assets and liabilities are transferred, as security for future advances, facilities or services by that financial institution or person except where, in the case of such transfer, any obligation to provide such advances, facilities or services is not included in the transfer.

(2) Any amalgamation, acquisition or transfer of assets and liabilities shall be subject to confirmation at a general meeting of shareholders of each of the financial institutions concerned.

(3) No amalgamation, acquisition or transfer of assets and liabilities shall become effective unless it has been published by the Central Bank website.

(4) Upon publication in the *website*, of a transfer, acquisition or amalgamation by the Central Bank, all persons including public entities shall automatically recognize-

(a) the legality of the transfer, acquisition or amalgamation; and

(b) the rights and obligations of the financial institutions involved in the transfer, acquisition or amalgamation, in accordance with the terms and conditions contained in the instrument or agreement for the transfer, acquisition or amalgamation.

(5) The Registrar of Companies and the Registrar of Titles, and every Senior management or person in charge of a deeds registry or any other relevant office shall, upon production to him of any relevant deed, bond, share, stock debenture, certificate, letter of appointment, license or other document affected by an amalgamation, acquisition or transfer, make such endorsements thereon and effect such alterations in his registers as may be necessary to record the transfer of the relevant property bond or other right, share, stock, debenture, marketable security, letter or appointment or license and of any

rights thereunder to the resulting financial institution or, as the case may be, to the receiving financial institution.

(6) No transfer fees, stamp duty, registration fees, license duty or other charges shall be payable in respect of:-

(a) a transfer of assets and liabilities; or

(b) any endorsement or alteration made to record such transfer, upon submission to the Registrar of Companies, Registrar of Titles or any other person referred to in sub-article (5).

33. Restrictions on advances, credits and guarantees

(1) A financial institution shall not grant to any person or permit to be outstanding any advance, credit facility or give any financial guarantee or incur any other liability on behalf of any person, so that the total value of the advances, credit facilities, financial guarantees and other liabilities in respect of that person at any time exceed such percentage of the regulatory capital, or any of its components, as may be prescribed by the Central Bank in Regulations;

(2) The Central Bank may exempt a financial institution from the restrictions under sub-article (1), subject to such conditions as the Central Bank may consider necessary.

(3) An exemption granted under sub-article (2) shall remain in force for such period as the Central Bank may specify.

(4) For the purposes of sub-article (1), reference to any person includes that person and his associates; and-

(a) the advances, credit facilities, financial guarantees and other liabilities of that person and his associates shall be aggregated for the calculation of their total value; and

(b) the restriction imposed by sub-article (1) shall apply to advances, credit facilities, financial guarantees and other liabilities to or in respect of that person and his associates.

34. Restrictions on payment of dividends

(1) The Central Bank may prescribe in Regulations restrictions on payment of dividends, according to the levels of the regulatory capital adequacy ratios of a financial institution.

(2) No financial institution shall declare, credit, pay or transfer abroad any dividend or make any other transfer from profits until-

(a) all its capitalized expenses, including preliminary expenses and those relating to its incorporation, share selling commission, brokerage, loss incurred and any other item of expense not represented by tangible assets, have been completely written off;

(b) expenses and any buffers in its capital have been considered; and

(c) adequate provision, to the satisfaction of the Central Bank, has been made in respect of bad or doubtful debts and other assets, in the case of a financial institution that grants loans or credit facilities.

(3) Issuing bonus shares out of profits shall be considered to be a payment of dividends.

35. Restrictions on transactions between a financial institution and a related party

(1) All transactions undertaken by a financial institution with its related party shall be conducted according to the requirements that apply to transactions between a financial institution and a member of the public.

(2) The Central Bank may prescribe in Regulations conditions applicable to transactions between a financial institution and its related parties or interconnected parties, and may provide for such exceptions as the nature of the relationship or transaction may necessitate.

36. Restriction on the use of financial institution's shares as a collateral

A financial institution shall not grant any credit facility to any person against the security or collateral of its own shares.

37. Restriction on investment of financial institutions

(1) A financial institution shall not undertake any major investment without prior approval of the Central Bank.

(2) In assessing an application for a major investment, the Central Bank shall ensure that the financial institution's proposed investment shall not:

(a) undermine the financial institution's management and financial soundness;

(b) jeopardize the interests of its depositors, shareholders or creditors, as the case may be;
(c) hinder effective prudential supervision of the financial institution;
(d) hinder effective implementation of corrective measures in the future; and
(e) expose the financial institution to undue risks.

(3) The Central Bank may not approve a proposed investment if it is not satisfied that the financial institution has adequate financial, managerial and organizational resources to handle the investment.

(4) fThe Central Bank may in Regulations prescribe requirements on major investments by a financial institution.

38. Restrictions on trading activities and acquisition of immovable properties

(1) A financial institution shall not engage, alone or with others, in wholesale or retail trade, including the import or export trade, except in the course of the satisfaction of debts due to it.

(2) A financial institution shall not acquire immovable property except for the satisfaction of debt due to it;

(3) Provided that a financial institution may acquire any immovable property or any right over it as may be reasonably necessary for the purpose of conducting its business or providing services for its staff, in which case the cost of the property shall not exceed such percentage of financial institution's regulatory capital or any of its components as may be prescribed by the Central Bank.

(4) The Central Bank may determine the period within which property held under sub-article (1) may be disposed of.

(5) The prohibition under this Article shall not apply to a financial institution conducting business in accordance with Shariah Principles.

39. Restrictions on inter-bank placement of deposits

(1) The Central Bank may by Regulations, set a percentage of a bank's regulatory capital, or any of its components, for which a financial institution can place or make deposits in other financial institutions..

(2) Placement of deposits between affiliated financial institutions are considered as insider transactions and are subject to the relevant provisions of this Law and Regulations.

40. Prudential rules or guidelines

The Central Bank may establish prudential rules or guidelines applicable to different categories of financial institutions based on the nature of their businesses, activities and risk profile.

41. Risk management process

(1) A financial institution must, on a solo and consolidated basis adopt a comprehensive risk management framework to identify, measure, evaluate, monitor, report and control or mitigate all material risks on a timely basis.

(2) The framework shall include an effective oversight by its board of directors and senior management.

(3) A financial institution must assess, on a solo and consolidated basis, the adequacy of its regulatory capital and liquidity requirements in relation to its risk profile, market and macroeconomic conditions.

(4) The risk management framework shall as minimum take into consideration the following risks:

(a) credit risk;
(b) liquidity risk;
(c) operational risk;
(d) market risk;
(e) country risk;
(f) strategic risk;
(g) technology risk;
(h) legal risk;
(i) compliance Risk
(j) any other risk that a financial institution may consider necessary.

(5) The risk management framework referred to in sub-article (4) shall take into account the nature of business and risk profile of a particular financial institution.

(6) The risk management framework of a financial institution must comply with any Regulations or Guidelines which may be issued by the Central Bank.

42. Credit classification and provisioning

(1) A financial institution whose business includes granting of credit facilities shall classify its loans and maintain at all times an appropriate and adequate provisioning level.

(2) The Central Bank may by Regulations determine the criteria for credit classification and provisioning levels for different financial institutions.

PART IV - GOVERNANCE

43. Responsibilities of shareholders

(1) Without prejudice to the provisions of the law relating to companies, shareholders of a financial institution shall jointly protect, preserve and actively exercise the supreme authority of a financial institution in general meetings.

(2) The responsibilities of shareholders shall include-

(a) ensuring that only persons who are trustworthy and competent are elected as members of the board of directors;

(b) ensuring that the board of directors are regularly held accountable for the efficient and effective governance of the financial institution;

(c) changing the composition of the board of directors in case of inefficiency or in accordance with the approved policy of the financial institution;

(d) ensure that members of the board of directors are qualified and possess a variety of skills; and

(e) such other responsibilities as may be prescribed.

44. Board of directors

(1) Every financial institution shall establish a board of directors which shall exercise ultimate authority over the financial institution.

(2) A board of directors of a bank shall comprise of at least five directors, two thirds of whom shall be non-executive directors.

(3) The chairperson of a bank shall be a non-executive director while the Chief Executive Senior management shall be an executive director.

(4) The Central Bank may in Regulations prescribe different requirements for board composition for different categories of financial institutions.

(5) No person shall be appointed as a director of a financial institution unless he has been vetted and approved by the Central Bank.

45. Responsibilities of the Board of Directors

(1) The board of directors of a financial institution shall have the following responsibilities-

(a) to oversee the financial institution's operations and monitor the financial institution's administration to ensure its soundness;

(b) to approve the financial institution's strategic direction, risk appetite and policies, establish and communicate corporate culture and values, and establish conflicts of interest policies and a strong control environment from time to time when necessary;

(c) to ensure good corporate governance of the financial institution;

(d) to ensure that the business of the financial institution is carried on in compliance with all applicable laws, regulations, guidelines, Central Bank's directives, approved policies and is conducive to safe and sound practices;

(e) to ensure that senior management takes the steps necessary to identify, measure, monitor and control risks;

(f) to appoint and replace where necessary members of senior management and to determine an appropriate plan for succession;

(g) to oversee the senior management of the financial institution as part of checks and balances;

(h) to safeguard the legitimate interests of shareholders, depositors, creditors, consumers and other relevant stakeholders of the financial institution;

(i) to approve organizational structure, financial statements and dividends;

(j) to report to the shareholders, at an annual general meeting, on the performance, internal controls and systems; and information management systems of the financial institution;

(k) to report to the Central Bank on any material changes in the activities, structure and condition of the financial institution;

(l) to report to the Central Bank on matters that may affect the suitability of shareholders, directors and senior management and other matters required to be reported to the Central Bank by a director.

(m) to ensure that the financial institution maintains an effective relationship with its supervisors; and

(n) such other responsibilities as may be prescribed by any other law and Regulations issued by the Central Bank.

46. Fiduciary duties of Directors

A director shall, in relation to the financial institution in which he or she serves, stand in a fiduciary relationship and shall in addition and without derogation owe the financial institution and its shareholders the following duties-

(a) a duty to act honestly and in good faith;

(b) a duty to act in the best interest and for the benefit of the Financial Institution

(c) a duty to act independently, free from undue influence of any other person; and

(d) a duty to access necessary information to enable him or her to discharge his or her responsibilities.

47. Board committees

(1) A financial institution's board of directors shall establish such board committees as are necessary taking into account its size, nature of business and the risks it faces.

(2) Without prejudice to sub-article (1) a bank shall establish the following committees of the board of directors-
   (a) Board Credit Committee;
   (b) Board Audit Committee;
   (c) Board Risk Management Committee;
   (d) Human Resources and Administration Committee
   (e) Remuneration Committee; and
   (f) such other committees as may be specified by the Central Bank in Regulations or by the bank in its board charter or other instrument.

(3) The responsibilities of each board committee specified in sub-article (2) shall be prescribed in Regulations.

(4) The Central Bank may prescribe in Regulations the nature of board committees to be established by other financial institutions and their respective responsibilities.

48. Board meetings

(1) A board may hold such number of meetings in a year as may be prescribed or as the business of the financial institution may require.

(2) The Central Bank may direct a board to meet at such time and in such place and to deliberate on such issues as the Central Bank may specify.

(3) The Central Bank may appoint an observer to a board meeting and the observer may take such notes as is necessary for purposes of the Central Bank.

(4) Where a board fails to meet following a directive of the Central Bank pursuant to sub-article (2), the Central Bank may take appropriate action to safeguard the integrity of the financial system, the interests of the financial institution and its customers. .

(5) The Central Bank may prescribe in Regulations the requisite quorum, mode of making decisions, use of technology such as video conferencing in conducting some of the board meetings and other requirements to enable effective board deliberations and decision making process.

49. Reporting obligations of board and directors

(1) The Board and each director individually shall immediately report in writing to the Central Bank if they have reason to believe that the financial institution—

(a) may not be able to conduct its business as a going concern;

(b) appears to be or is likely in the near future to be unable to meet all or any of its obligations as they fall due; and

(c) does not or may not be able to meet its regulatory capital requirements as prescribed in this Law or Regulations.

(2) Where a board or a director fails to report in compliance with sub-article (1), the Central Bank may take such action against the board or the responsible director as the Central Bank may decide including suspension or removal of the board or director.

50. Disclosure of associates and interests

(1) A director shall disclose in writing to a financial institution and its board of directors:

- (a) all his associates;
- (b) all interests he has in a financial institution or in an associate of a financial institution; and
- (c) any matter which might pose a conflict of interest if he participates in the matter or participates in the decision-making process involving the matter.

(2) Disclosures under sub-article (1) shall be reported to the Central Bank in the prescribed form.

51. Responsibilities of senior management of a financial institution

(1) The senior management of a financial institution, under the direction of the board of directors, shall ensure that the financial institution's operations are consistent with its strategy, risk tolerance and policies approved by the board of directors.

(2) The Chief Executive Officer of a bank shall have the following responsibilities-

- (a) ensuring that the policies spelt out by the board in the bank's overall corporate strategy are implemented;
- (b) ensuring compliance with this Law, other applicable written laws, Regulations, Guidelines, directions, conditions and orders issued by the Central Bank;
- (c) identifying and recommending to the board, in accordance with human resources policy, competent Senior managements to manage the operations of the bank;
- (d) coordinating the operations of the various departments within the bank;
- (e) establishing and maintaining efficient and adequate internal control systems;
- (f) designing and implementing the necessary management information systems in order to facilitate efficient and effective communication within the bank;
- (g) ensuring that the board is frequently and adequately appraised about the operations of the bank through presentation of relevant board papers; and
- (h) such other responsibilities as may be prescribed.

(3) The Central Bank may prescribe in Regulations, responsibilities of senior management of other financial institutions.

52. Prohibition of multiple positions

(1) No person shall become a member of the board of directors or a member of senior management in more than one financial institution licensed under this Law unless they are subsidiaries or parent companies.

(2) No significant shareholder shall be appointed as a chairperson of the board of directors or chief executive Senior management of a bank.

(3) No person shall combine duties of chairperson of the board of directors and duties of the chief executive Senior management of a financial institution.

(4) The Central Bank may exempt a non-deposit taking financial institution from some of the prohibitions of this Article and on such conditions as the Central Bank may specify in the exemption.

53. Directors, senior managements and significant shareholders to be fit and proper persons

(1) No person shall be appointed as a director or senior management of a financial institution without the prior approval of the Central Bank.

(2) The Central Bank shall carry out a fit and proper assessment of a person proposed to be appointed as a director or senior management and shall certify whether the person is fit and proper to be appointed to manage or control a financial institution.

(3) The fit and proper assessment shall be carried out in accordance with the criteria which shall be prescribed by the Central Bank in Regulations.

(4) A person may be appointed as a senior management on probation basis pending his fit and proper assessment by the Central Bank and any such appointment shall be immediately notified to the Central Bank.

(5) No person shall become a significant shareholder in a financial institution unless the Central Bank has certified that he is a fit and proper person to become a significant shareholder.

(6) The fit and proper assessment under sub-article (5) shall be conducted in accordance with the criteria as may be prescribed by the Central Bank.

(7) Any person found not fit and proper shall not become a significant shareholder, director or senior management of a financial institution, as case may be.

54. Re-vetting of directors, senior managements and significant shareholders

(1) The Central Bank may, from time to time, where it deems it necessary to do so, carry out a fit and proper assessment of a person who has already been vetted as a director, senior r management or significant shareholder.

(2) An assessment under sub-article (1) shall be in accordance with the prescribed criteria.

(3) Where upon an assessment under sub-article (1), the Central Bank is satisfied as to the fitness of the person to manage or control a financial institution, it shall so certify to the financial institution.

(4) Where after a fit and proper assessment of a person, the Central Bank forms the opinion that the person has ceased to be fit and proper to manage or control a financial institution, the Central Bank may disqualify the person and shall inform the financial institution accordingly.

(5) A person who has been disqualified by the Central Bank under sub-article (4) shall cease to hold office in the financial institution and shall not thereafter hold any office in a financial institution for at least five years from the date of disqualification and in the case of a significant shareholder-

(a) the Central Bank may order him to reduce his shareholding in the financial institution to below the statutory threshold; and within such period as may be specified;
(b) the Central Bank may order him to dispose of all his shares in the financial institution within such period as may be specified;
(c) the Central Bank may direct that all his shares or a part of them be sold to a third party; or
(d) the Central Bank may bar him from exercising his voting rights in the financial institution; or
(e) the Central Bank may impose other conditions as prescribed in Directives or Regulations.

55. Other governance principles and standards Islamic Principle for Shariah Governance Framework

The Central Bank may by Regulations prescribe other governance principles and standards, that does not contradict with Sharia principles, that financial institutions shall comply with

(1) The Central Bank will establish a governance framework for the structure of the Shariah Board and their activities for financial institutions, in alignment with the general principles of the Islamic Financial Service Board.

(2) The Central Bank will develop accounting frameworks for Islamic financial institutions in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions.

PART V - ACCOUNTS, DISCLOSURE OF FINANCIAL STATEMENTS AND EXTERNAL AUDIT

56. Standards for financial statements preparation

The financial statements of a financial institution shall comply with the International Financial Reporting Standards or other applicable international standards approved by the Central Bank.

57. Obligation to maintain accounts

(1) A financial institution shall maintain its accounts in accordance with accounting principles as may be prescribed by the Central Bank.

(2) A subsidiary or branch of a foreign financial institution conducting business in Somalia shall maintain accounts separate from that of the parent financial institution.

(3) It shall be the duty of a financial institution-

(a) to keep proper books of accounts and proper financial records in relation to the accounts which show a complete, true and fair state of affairs of the financial institution; and

(b) to prepare in respect of each financial year a statement of accounts showing the state of affairs and income and expenditure of the financial institution.

58. Submission and disclosure of financial statements of a financial institution

(1) A financial institution shall submit to the Central Bank the audited financial statements within three months after the end of the financial year;

(2) A financial year shall be the period commencing 1st January and ending on 31st December of the same year.

(3) No audited financial statements of a financial institution shall be published unless they have been cleared by the Central Bank.

(4) The Central Bank shall review the financial statements submitted and may-

a) provide clearance of the financial statements for publication;
b) direct the financial institution and its external auditors to amend or rectify the financial statements in case there are issues, concerns, errors or omissions;
c) reject the financial statements and order the financial institution and its external auditors to re-issue and re-audit the financial statements; or
d) request the financial institution and its external auditor for any further information as it may deem necessary.

(5) Audited financial statements of a financial institution shall be published within four (4) months after the end of the current financial year.

(6) The Central Bank may for reasonable cause and upon application by a financial institution extend the period for submission of audited financial statements or publication of the financial statements and the extension may be for such period as the Central Bank may determine, which extension shall in any case not exceed sixty (60) days from the date prescribed.

(7) Every financial institution shall publish in on its website, its audited financial statements and any other information as may be prescribed by the Central Bank.

(8) The audited financial statements of a financial institution shall be openly and publicly displayed in its business premises throughout the year.

(9) The Central Bank shall in Regulations prescribe the information to be contained in audited financial statements, other disclosures, the form and modalities of publication of financial statements for each category of financial institutions and any other matter relating thereto.

59. Publication of the annual report

Without prejudice to the provisions of the law relating to companies, a financial institution shall publish an annual report that reflects its regulatory capital requirements, risk exposures and risk management strategies.

60. Consolidated accounting of a financial institution with subsidiaries

(1) A financial institution with subsidiaries shall prepare its financial statements on both solo and consolidated basis.

(2) In determining the adequacy of a financial institution regulatory capital, a financial institution must comply with Regulations which may be prescribed by the Central Bank.

(3) The Central Bank may in Regulations provide different consolidated accounting requirements for other financial institutions operating in a group.

61. Appointment, dismissal and term of office of an external auditor

(1) A financial institution shall in each financial year appoint a qualified and competent external auditor whose duty shall be to audit and make a report upon the annual balance sheet and profit and loss account of the financial institution.

(2) Every such report shall contain an opinion stating whether or not the balance sheet and profit and loss account give a true and fair view of the state of affairs of the financial institution and of its results for the period then ended, and contain such other matters and information as may be prescribed from time to time by the Central Bank in Regulations.

(3) Where a financial institution fails to appoint an external auditor or to fill a vacancy for whatever reason, the Central Bank may appoint an external auditor for the financial institution and all auditing expenses as determined by the Central Bank shall be paid by the financial institution.

(4) No auditor shall be appointed without the prior approval of the Central Bank.

(5) An external auditor may audit a financial institution for a continuous period of three (3) years and his term may be renewed in such conditions as prescribed in Regulations.

(6) The Central Bank may require an auditor to undertake the following duties in addition to those provided under sub-article (1)-

(a) to submit such additional information in relation to his audit as the Central Bank may consider necessary;

(b) to carry out any other special investigation or audit; and

(c) to submit a report on any of the matters referred to in paragraphs (a) and (b); and the financial institution concerned shall remunerate the auditor in respect of the discharge by him of all or any of such additional duties.

(7) If the auditor of a financial institution, in the course of the performance of his duties under this Law, is satisfied that:-

(a) there has been a serious breach of or non-compliance with the provisions of this Law, Regulations, guidelines, directives, conditions imposed or orders issued by the Central Bank or a breach of other relevant written laws;

(b) a criminal offence involving fraud or other dishonesty has been committed by the financial institution or any of its Senior managements or employees;

(c) losses have been incurred which reduce the regulatory The Central Bank may impose prudential standards, collect and analyse financial statements and other information on a consolidated basis for capital of the financial institution by fifty per cent or more;

(d) serious irregularities have occurred which may jeopardize the security of depositors or creditors of the financial institution; or

(e) he is unable to confirm that the claims of depositors or creditors of the financial institution are capable of being met out of the assets of the financial institution,

he shall immediately report the matter to the Central Bank.

(8) The Central Bank may arrange trilateral meetings with a financial institution and its auditor from time to time, to discuss matters relevant to the Central Bank's supervisory responsibilities which have arisen in the course of the statutory audit of the financial institution including relevant aspects of the financial institution's business, its accounting and control system and its annual accounts.

(9) An auditor shall have full access to any premises, document, information, records, computer system, equipment and to any director, Senior management, employee, agent, associate or affiliate of a financial institution.

(10) A person shall not be qualified for appointment as an auditor of a financial institution if he is:-

(a) a director, Senior management or employee of that financial institution;

(b) a person who is a partner of a director, Senior management or employee of that financial institution;

(c) a person who is an employer or employee of a director, Senior management or employee of that financial institution;

(d) a person who is a director, Senior management or employee of an associate of that financial institution; or

(e) a person who, by himself, or his partner or his employee, regularly performs the duties of secretary or book-keeper for that financial institution; or

(f) a firm or member of a firm of auditors of which any partner or employee falls within the above categories.

(11) The Central Bank may in Regulations prescribe other requirements relating to external auditors and their work.

62. Change of auditor to be notified to Central Bank

(1) No financial institution shall remove or change its auditor except with the prior written approval of the Central Bank.

(2) An auditor of a financial

(3) institution shall forthwith give written notice to the Central Bank if he:-

(a) resigns from office;

(b) does not seek to be reappointed;

(c) includes in his report or draft report on the financial institution's accounts any qualification which did not appear in the accounts for the preceding financial year.

63. Auditor's duty of confidence

(1) No duty to which an auditor of a financial institution may be subject shall be regarded as contravened by reason of his communicating in good faith to the Central Bank, whether or not in response to a request made by it, any information or opinion on a matter which is relevant to any function of the Central Bank under this Law.

(2) This article shall apply to any matter of which an auditor becomes aware of in his capacity as an auditor or in the discharge of his duties under this Law and which relates to the business or affairs of the financial institution or any associate of that financial institution.

64. Sanctions against an external auditor

(1) Where an external auditor-

(a) has failed to comply with the requirements of this Law or Regulations;
(b) has failed to adequately and properly execute the functions and duties of the external auditors required under this Law and Regulations made there under;
(c) does not meet the criteria for a fit and proper person set out in this Law;
(d) has reasonable grounds for believing that the financial institution is insolvent, or there is a significant risk that the financial institution will become insolvent; or the financial institution has failed to comply with the prudential requirements under this Law; or knowing existing fact about the financial institution which may materially prejudice the interests of depositors, creditors or other stakeholders, fails to report to the Central Bank;
(e) has been convicted of an offence of which dishonesty is an element;
(f) is incompetent or unfit to perform the functions of an external auditor; or
(g) has failed to disclose any direct or indirect interests which may constitute a conflict of interest in respect of such auditor's duties;

the Central Bank may-

(i) order a financial institution to remove the auditor;
(ii) prohibit him from carrying out audit operations in the financial institution;

(iii) prohibit him from carrying out audit services for any other financial institution for such period as the Central Bank may determine; or

(iv) impose such monetary penalty as the Central Bank may determine.

(2) The Central Bank shall give an auditor affected by any of the issues listed in sub-article (1) an opportunity to defend himself before a decision is made.

65. Internal auditor

(1) A financial institution shall establish an independent audit function and shall appoint an internal auditor to carry out such duties as may be prescribed or assigned to him by the financial institution.

(2) An internal auditor shall not be removed from office without the prior approval of the Central Bank.

(3) The external auditor and the internal auditor shall consult regularly.

(4) The Central Bank may issue in Regulations additional requirements to be satisfied by the Internal auditors.

PART VI - SUPERVISION OF FINANCIAL INSTITUTIONS BY THE CENTRAL BANK

66. Supervisory powers of the Central Bank

(1) The Central Bank shall supervise financial institutions and their groups and shall employ appropriate supervisory techniques and tools to ensure that financial institutions and their groups are in compliance with the provisions of this Law, other applicable written laws, Regulations, guidelines, directives, conditions imposed and orders issued by the Central Bank.

(2) The Central Bank shall exercise its supervisory powers to assess a financial institution's compliance with Anti-Money Laundering and Countering the Financing of Terrorism Law and the applicable Regulations.

(3) The Central Bank shall have full access to a financial institution's and financial institution groups' board, management, staff and records in order to review compliance with internal rules and limits as well as external laws and regulations.

(4) The Central Bank may adopt a risk-based approach to supervision of financial institutions and their groups taking into account their risk profile and their systemic importance and the different mitigation approaches available.

(5) In the exercise of its supervisory powers under this Law, the Central Bank shall not be subject to the control or authority of any other person.

(6) The Central Bank may make use of independent third parties provided that-

(a) it shall not outsource its prudential responsibilities to third parties; and

(b) it assesses whether the output can be relied upon to the degree intended and takes into consideration the biases that may influence third parties.

67. Onsite inspection

(1) The Central Bank may at any time and from time to time cause an inspection to be made by any person authorized by it in writing, of any financial institution and its agents.

(2) The person conducting an inspection shall have unlimited right to enter any place of business of a financial institution and may inspect its business operations including books, accounts, records, cash in deposit, securities and other portfolio values, minutes, correspondences, statements, receipts, computer system, equipment, instruments as well as any other documents or items required for inspection.

(3) A financial institution, its Senior managements, employees and agents shall produce and make available to the person conducting an inspection any document, information or any other thing as he may require and shall grant full access to such premises and systems and within such period as he may direct.

(4) An inspector may be given, against a receipt, the original or a copy of a document as requested for analysis in the premises of the Central Bank.

(5) The supervisory powers of the Central Bank under this Article shall extend to any company or entity of which accounts are consolidated with those of the financial institution and to any other associate of the financial institution.

(6) Any information obtained in the course of an inspection shall be treated as confidential and used solely for the purposes of this Law, the Central Bank of Somalia Law and any other lawful purpose of the Central Bank.

68. Consolidated supervision

(1) The Central Bank may impose prudential standards, collect and analyse financial statements and other information on a consolidated basis for a banking group or financial institution group covering areas such as regulatory capital adequacy, liquidity, large exposures, exposures to related parties, lending limits, group structure and other areas as may be prescribed.

(2) The Central Bank may exercise consolidated supervision over any financial institution and its group, associates or affiliates and may require such information as the Central Bank may require for purposes of consolidated supervision.

(3) The Central Bank shall have the power to limit the range of activities a consolidated group may conduct and locations in which activities can be conducted including the closing of foreign offices if it determines that-

(a) the safety and soundness of the financial institution and its group are compromised and these activities expose the financial institution and its group to excessive risk and there are no measures to prevent it;

(b) the supervision by other supervisors is not adequate with regard to current activities; or

(c) the exercise of effective supervision on a consolidated basis is hindered.

(4) The Central Bank may impose enhanced prudential requirements for individual financial institutions and their groups based on their risk profile and their systemic importance.

69. Supervision of subsidiaries, branches and representative offices of Somali financial institutions established in a foreign country

(1) The Central Bank shall supervise subsidiaries, branches and representative offices of Somali financial institutions established in a foreign country, without prejudice to the powers of the supervisory authority of the host country.

(2) The supervision referred to in sub-article (1) may be done through a cooperation agreement between the Central Bank and the supervisory authority in the host country.

(3) The Central Bank as the home regulator, may organize supervisory colleges with host supervisory authorities of Somali financial institutions operating in foreign countries.

70. Inspection in Somalia by supervisory authority of a foreign country

Without prejudice to the application of any cooperation agreement that may exist with a supervisory authority of the country of origin, inspectors from the supervisory authority of a foreign country may exercise their functions in Somalia with regard to the supervision of subsidiaries, branches and representative offices of their financial institutions upon prior written notification and request to the Central Bank.

71. Inspection report

(1) Upon completion of an inspection of a financial institution, the Central Bank shall prepare an inspection report which shall-

(a) highlight any violations of this Law, Regulations, Guidelines, directives, conditions, orders, instructions or any other relevant law such as anti-money laundering and the countering of financing of terrorism law;

(b) highlight the financial soundness of the financial institution;

(c) highlight any deficiencies;

(d) make recommendations on how the violations or deficiencies shall be addressed;

(e) make recommendations on any penalty or administrative action to be taken against the financial institution, its Senior managements, employees, agents or any other person.

(f) make any other observation or recommendation as circumstances may render necessary.

(2) The Central Bank shall share the inspection report together with the recommendations with the board of directors of the inspected financial institution and a copy shall be sent to the senior management of the financial institution.

(3) The Central Bank, if it deems it fit so to do, may share a copy of the inspection recommendations with the external auditor of the inspected financial institution.

(4) The inspected financial institution shall submit to the Central Bank an action plan for implementing all recommendations set out in the inspection report and the action plan shall indicate the deadline within which each recommendation shall be implemented.

(5) Failure to implement the Central Bank recommendations may lead to taking of a remedial action or sanction by the Central Bank against the concerned financial institution in accordance with the provisions of this Law and Regulations.

(6) The recommendations of the Central Bank referred to in this Article shall be considered as Central Bank directives, are binding and enforceable against a financial institution, its Senior managements, employees and agents.

72. Information to Central Bank

(1) A financial institution shall submit to the Central Bank documents, reports, financial statements and any other information as the Central Bank may require for the purpose of discharging its functions.

(2) The documents, reports, financial statements and any other information; and any clarifications in respect thereto shall be submitted to the Central Bank in such form and within such period as the Central Bank may specify.

(3) The Central Bank may require in writing any agent, associate, non-operating holding company or subsidiary company or any person holding a significant shareholding in a financial institution, to provide the Central Bank or its appointed agent with such information or documents, including financial statements and other financial records, as it may deem necessary to determine whether the provisions of this Law and Regulations are being complied with, and to ascertain-

(a) the legal, managerial and operational structure of a group;
(b) the risk profile of a group and its individual subsidiaries;
(c) the way in which internal risk management is organized and conducted within a group; and
(d) the corporate, financial and other linkages existing between members of a group.

(4) A financial institution shall notify the Central Bank in advance of any substantive changes in its activities, structure and overall condition, or as soon as it becomes aware of any material adverse developments, including breach of legal or prudential requirements.

(5) No shareholder, member of board of directors, Senior management, employee, agent or outsourced third party service provider of a financial institution shall invoke professional secrecy or confidentiality as a ground for non-disclosure of information required by the Central Bank.

73. Publication of the financial situation of financial institution

(1) The Central Bank may publish, in whole or in part, the consolidated financial situation of financial institutions.

(2) The publication under sub-article (1) shall not disclose the financial affairs of a financial institution or its customer except-

(a) to the financial institution or its customer directly;

(b) to a third party but with the express written consent of the financial institution or its customer;

(c) as may be authorized under a written law;

(d) as may be ordered by a court of law;

(e) to protect the Central Bank's interests;

(f) under a credit information sharing framework permitted under this Law; or

(g) where the Central Bank is communicating information to a financial institution regarding credit operations and payment difficulties of another financial institution or its customer.

(3) Except as provided in this Law, no person shall disclose or publish any information which comes into his possession as a result of the performance of his duties or responsibilities under this Law.

74. Cooperation and collaboration

(1) Notwithstanding the provisions of this Article, the Central Bank may disclose any information to any monetary authority, financial regulatory authority, deposit protection authority, credit reference bureau, fiscal or tax agency; or law enforcement agency within or outside Somalia, where such information is reasonably required for the proper discharge of the functions of the Central Bank or the requesting monetary authority, financial regulatory authority, deposit protection authority, credit reference bureau, fiscal or tax agency; or law enforcement agency;

Provided that the sharing of information with institutions outside Somalia shall apply where there is a reciprocal arrangement.

(2) The Central Bank may enter into agreements with other supervisory authorities for purposes of undertaking joint activities and for sharing supervisory information on such terms and conditions which shall ensure-

(a) protection of confidentiality of the information shared;
(b) that shared information is used only for the specified purpose; and
(c) permission is sought and obtained before any shared information is shared with or given to a third party.

75. Prompt corrective action

(1) Where the Central Bank determines that-

(a) a financial institution has violated or failed to comply with any provision of this Law, Regulations, Guidelines, directives, condition or order issued by the Central Bank;

(b) a financial institution is engaging in unsafe and unsound practices or activities that could pose risks to the financial institution or to the financial system;
(c) the regulatory capital level of the financial institution has decreased to below the prescribed minimum; or
(d) there are material deficiencies relating to the business of the financial institution;

the Central Bank may require the financial institution to -

(i) take prompt corrective action to address the violations, omissions, unsafe and sound practices or activities; or the deficiencies; or
(ii) submit to it a regulatory capital restoration plan within forty five (45) days detailing measures the financial institution shall take to restore the regulatory capital to the prescribed minimum.

(2) The Central Bank may, at the expense of the financial institution, appoint a person suitably qualified and competent, in the opinion of the Central Bank, to advise and assist the financial institution in designing and implementing a regulatory capital restoration plan or other corrective action plan, and the person appointed shall regularly report to the Central Bank on the progress of the plan.

(3) Where a financial institution has been directed by the Central Bank to take specified corrective measures, the financial institution shall submit to the Central Bank periodic reports on the implementation of the corrective measures and shall ensure that the corrective measures are fully implemented within the specified period.

76. Power of Central Bank to advise and direct

(1) If, at any time, the Central Bank has reason to believe that:-

(a) the business of a financial institution is being conducted in a manner contrary to or not in compliance with the requirements of this Law, Regulations, guidelines, conditions or orders issued by the Central Bank or in any manner detrimental to or not in the best interest of its depositors, creditors or members of the public, or

(b) a financial institution, any of its Senior managements, employees or agents is engaged in any practice likely to occasion a contravention of any of the provisions of this Law, Regulations, guidelines, conditions or orders issued by the Central Bank,

the Central Bank may:-

(i) give advice and make recommendations to the financial institution with regard to the conduct of its business generally;

(ii) issue directions regarding corrective measures to be taken to improve the management or business methods of the financial institution or to secure or improve compliance with the requirements of this Law, Regulations, guidelines, conditions or orders issued by the Central Bank, or any other written law or regulations; or to address any deficiency;

(iii) in any case to which paragraph (b) applies, issue directions to the financial institution, Senior management, employee, agent or other person to cease such practice;

(iv) appoint a person, suitably qualified and competent in the opinion of the Central Bank, to advise and assist the financial institution generally or for the purposes of implementing any directions under subparagraphs (ii) and (iii) and the advice of a
person so appointed shall have the same force and effect as a direction made under subparagraphs (ii) and (iii) and shall be deemed to be a direction of the Central Bank under this section.

(2) If the Central Bank determines-

(a) that any member of a group other than a financial institution has committed any violation of this Law, Regulations, guidelines, directives, conditions or orders issued by the Central Bank, or

(b) that the activities of any such member are having a detrimental impact on the financial institution or may jeopardize the interest of depositors;

the Central Bank may direct the member to eliminate such irregularities within such period as it may determine.

(3) The Central Bank may appoint a competent authority or any other person with expertise in the relevant field to carry out the enforcement of the direction issued under sub-article (2).

(4) The Central Bank may, in addition to the actions specified under sub-article (3), further direct the concerned party to-

(a) suspend any further investment by the financial institution in a subsidiary company;
(b) suspend the exercise of a non-operating holding company's control of the financial institution;
(c) suspend transactions between any associated entities and the financial institution; or
(d) suspend participation of any person in the affairs of the financial institution.

(5). The Central Bank shall, before issuing a direction under sub-article (1), serve upon the financial institution, its Senior management, employee, agent or other person, a notice of such intent specifying the reasons therefore and requiring the financial institution, Senior management, employee, agent or other person within such period as may be specified in the notice, to show cause why such direction should not be issued.

(6). A financial institution which receives a direction under the provisions of this Article shall comply with the direction within such period as may be specified in the direction and, if so required, shall produce evidence that it has done so.

(7). The Central Bank may issue directions to institutions generally for the better carrying out of its functions under this Law and in particular, with respect to:-

(a) the standards to be adhered to by a financial institution in the conduct of its business in Somalia or in any country where a branch or subsidiary of the financial institution is located; and

(b) guidelines to be adhered to by financial institutions in order to maintain a safe, stable and efficient financial system.

77. Powers of the Central Bank to suspend a financial institution's activities

(1) If the Central Bank has reason to believe that activities of a financial institution are likely to distort the stability, soundness, operation or organization of the financial institution or the financial system, it may suspend all activities or certain operations of the financial institution.

(2) The suspension may be for such period as the Central Bank may specify.

(3) After the expiry of the period specified in sub-article (2), the Central Bank may take any other action as permitted under the law.

78. Deposit insurance scheme

(1) The Central Bank shall establish and maintain, in such manner as may be prescribed in Regulations, a deposit insurance scheme to provide insurance against the loss of part or all of deposits in a bank or other deposit-taking financial institutions in a manner that will contribute to the stability of the financial system in Somalia and minimize the exposure to loss.

(2) Without prejudice to the generality of sub-article (1), Regulations made under sub-article (1) shall set out the terms and conditions of the scheme which shall include–

(a) financing of the deposit insurance scheme through a deposit insurance fund to which shall be credited premiums levied on banks and other deposit-taking financial institutions and shall be charged all costs associated with the payment of deposits, any restructuring of the concerned financial institutions to reduce or avert a threatened loss to the scheme, or to pay cost of their liquidation;

(b) types of deposits covered and the ceiling of coverage;

(c) the amount of premium payable by each bank or other deposit-taking financial institution;

(d) powers of the Central Bank in administering the scheme; and

(e) administration of the scheme.

(f) Any other terms and conditions which the Central Bank may prescribe.

(3) The Central Bank may advance funds to the deposit insurance fund on such repayment terms and conditions as it deems fit for the administration of the deposit insurance scheme.

PART VII - ADMINISTRATIVE ACTIONS AND PENALTIES

79. Penalties against a financial institution

(1) If a financial institution-

(a) violates or fails to comply with any provision of this Law, Regulations, guidelines, directives, condition or order issued by the Central Bank;

(b) is engaged in unsafe or unsound practices or in activities that could pose risks to the financial institution or the financial system, or when the interests of depositors or creditors are otherwise threatened; or

(c) is undercapitalized;

the Central Bank may impose any of the following penalties against the financial institution, depending on the gravity of the violation, fault or situation–

(i) written warning;

(ii) issue a cease and desist order;

(iii) suspension of all support from the Central Bank;

(iv) prohibition from declaring or paying dividends;

(v) prohibition from establishing new branches or other places of business;

(vi) prohibition from engaging in new activities or expanding existing activities;

(vii) suspension of lending, investment or credit extension operations;

(viii) prohibition from transferring assets or acquiring additional assets through purchase, rent or lease;

(ix) prohibition from accepting further deposits or other lines of credit;

(x) prohibition from declaring any types of bonuses, severance packages, management fees or other discretionary compensation to board of directors;

(xi) prohibition from declaring any type of salary incentives, management fees or other discretionary compensation to senior management and staff;

(xii) requiring the financial institution to maintain higher prudential limits as specified by the Central Bank;

(xiii) termination of the services of an agent or a third party service provider;

(xiv) revocation of a license; or

(xv) any other sanction as may be prescribed by the Central Bank.

(2) In determining the appropriate penalty to impose, the Central Bank may consider the following factors-

(a) the nature of the provision of this Law, Regulations, guidelines, directive, condition or order violated or not complied with;

(b) the gravity or seriousness of the violation;

(c) the nature of the business of the financial institution;

(d) any corrective measures taken by the financial institution;

(e) the financial condition of the financial institution; or
(f) whether the financial institution is cooperative with an investigation.

80. Grounds for revocation of a license

(1) The Central Bank may revoke a license granted to a financial institution at any time if the financial institution- :

(a) has not commenced operations within six (6) months from the date on which the license was granted;
(b) has ceased operating for a period of more than one month without providing reasonable reasons to the Central Bank of Somalia.
(c) obtained the license based on false information or through fraudulent means;
(d) has in a serious way violated the provisions of this Law, Regulations or Guidelines issued by the Central Bank;
(e) has repeatedly failed to comply with a condition, directive, remedial actions or order issued by the Central Bank;
(f) no longer meets the applicable licensing criteria;
(g) is placed under receivership, statutory management or liquidation; or a resolution for voluntary winding up has been made;
(h) ;
(i) is engaged in money laundering or terrorist financing;
(j) engages in unsafe and unsound practices or carries out activities which compromise or have the potential to compromise the soundness of the financial sector, or a sub-sector of it;
(k) denies the Central Bank or its authorized Senior management or agent access to its business premises, books, accounts, system, document or information.
(l) fails to pay a monetary penalty ordered by the Central Bank; or
(m) the parent company is undergoing receivership, statutory management or liquidation.

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(2) No license shall be revoked under this Article unless the financial institution has been given a reasonable notice of not less than twenty one days to show cause why the license should not be revoked and it shall be furnished with the reasons for the intended revocation.

(3) The Central Bank shall consider any representations made by the financial institution before making its decision.

New sub-article

81. Consequences of license revocation

(1) A financial institution whose licensed has been revoked may be subjected to compulsory liquidation as set out in this Law and the Regulations.

(2) Notwithstanding sub-article (1), the Central Bank may in Regulations provide for other procedures for winding up the business of a non-deposit taking financial institution whose license has been revoked and which, by the nature of its business and circumstances, need not be subjected to compulsory liquidation provided for under this Law.

82. Sanctions against directors, Senior managements and employees

(1) If the Central Bank establishes that a member of the board of directors, an Senior management or employee of a financial institution has-

(a) violated or failed to comply with the provisions of this Law, other relevant written law, Regulations, guidelines, directives, condition or order issued by the Central Bank; or

(b) is engaged in unsafe conduct;

the Central Bank may impose on him any of the following sanctions depending on the gravity of the violation or the misconduct-

(i) warning;
(ii) cease and desist order to refrain from the conduct or practice;
(iii) order the person to pay such monetary penalty as may be prescribed and the payment shall come from the person's own financial resources;
(iv) suspension from office or employment; or
(v) dismissal from office or employment.

(2) No sanction shall be imposed against any person under this Article unless the person has been given a reasonable notice of not less than twenty one days to show cause why the sanction should not be imposed and shall be furnished with reasons for the intended sanction against him.

(3) The Central Bank shall consider any representations made by the person before making its decision.

(4) A person dismissed from office or employment under sub-article (1) shall not-

(a) be eligible for employment in any financial institution for at least five years from the date of dismissal; and

(b) be employed after the five years without the prior approval of the Central Bank.

83. Monetary penalties

(1) The Central Bank may, in Regulations, prescribe monetary penalties to be paid by financial institutions, Senior managements, employees or agents of financial institutions which have violated or failed to comply with any provision of this Law, Regulations, Guidelines, directives, condition or order issued by the Central Bank; or are engaged in unsafe or unsound practice, which penalty shall not exceed USD 100,000in the case of a financial institution or USD 5,000in the case of an individual depend on severity of the violation.

(2) The Central Bank may impose a daily monetary penalty of USD 1,000 in the case of a financial institution or USD 100 in the case of an individual who continues to violate or not to comply with any provision of this Law, Regulations, Guidelines, directives, condition or order issued by the Central Bank, after the issue of the violation has been brought to its or his attention.

(3) No monetary penalty shall be levied unless the financial institution or the person concerned has been given a reasonable notice of not less than twenty one days to show cause why the penalty should not be imposed and the financial institution or person shall be furnished with reasons for the intended monetary penalty.

(4) The Central Bank shall consider any representations made by the person before making its decision.

(5) The monetary penalty may be imposed instead of or in addition to any other penalty or sanction provided for under this Law or Regulations.

(6) Any monetary penalty payable to the Central Bank under this Law or Regulations-

(a) shall be paid directly by the financial institution or the individual concerned;
(b) the Central Bank may directly debit any account of a financial institution held with the Central Bank; or
(c) the penalty may be recovered as a civil debt through any lawful means.

PART VIII- RECOVERY PLANS FOR FINANCIAL INSTITUTIONS

84. Submission of a recovery plan

Where the situation so requires, the Central Bank may direct a financial institution to submit to it a recovery plan for its approval.

85. Content of a recovery plan

(1) A recovery plan may consist of the following-
- (a) measures to be taken within a specified timeframe to restore or strengthen the financial soundness of a financial institution;
- (b) making provisions or reserves;
- (c) suspension of payment of dividends;
- (d) increasing regulatory capital to such level as the Central Bank may specify;
- (e) measures to be taken to reorganize the operating structure of the financial institution in order to improve the quality of its operations and management; or
- (f) any other measure required to address any particular material deficiency.

(2) Where the Central Bank is not satisfied with the adequacy, reasonableness or practicality of the recovery plan, the Central Bank may-

- (a) give directions on the additional measures which should be included in the recovery plan; or
- (b) decline to approve the recovery plan and appoint a special administrator.

86. Grounds for appointing a special administrator

The Central Bank may appoint any of its Senior managements or any other person as a special administrator for a financial institution on the following grounds-

(a) serious violation of the provisions of this Law, Regulations, directives or orders issued by the Central Bank;

(b) non-compliance with any condition imposed on a license;

(c) the financial institution is experiencing difficulties requiring its recovery;

(d) if the financial institution fails to meet any financial obligation, when it falls due including an obligation to pay any depositor or creditors;

(e) the financial situation including the regulatory capital, or any of it is components of the financial situation is deteriorating;

(f) the financial institution has failed to submit a regulatory capital restoration plan or has failed to implement an approved regulatory capital restoration plan;

(g) losses have been incurred which reduce the regulatory capital of the financial institution by fifty per cent or more;

(h) the financial institution is engaged in risky and dangerous business practices;

(i) the financial institution is suspected of engaging in money laundering or financing of terrorism;

(j) the financial institution has, in purported compliance with any requirement under this Law, knowingly or recklessly given the Central Bank information which is false or misleading in a material particular;

(k) the financial institution has hindered the supervisory activities of the Central Bank;

(l) the financial institution has hindered the work of an external auditor;

(m) the financial institution 's situation may jeopardize interests of its depositors;

(n) the license issued to the financial institution has been revoked; or

(o) any other ground that may lead to his or her appointment.

87. Powers of a special administrator

(1) A special administrator shall have the power to-

(a) exercise all the management functions of the financial institution, subject to the supervision of the Central Bank;

(b) recover from any person and take possession of all the assets of the financial institution;

(c) conduct investigation or carry out an audit of a financial institution and its group;

(d) grant prior approval of decisions, instructions, transactions, and other operations of a financial institution;

(e) reorganise a financial institution

(f) employ and dismiss staff;

(g) execute any document or instrument in the name of the financial institution;

(h) commence or defend any legal proceedings in the name of the financial institution;

(i) exercise the powers of the board of directors collectively and individually, including the board's powers of delegation and use of the seal;

(j) dispose of any of the financial institution's assets in the ordinary course of the financial institution's business;

(k) suspend or limit the payment of the financial institution's obligations and such action shall not constitute an act of insolvency or bankruptcy;

(l) cancel any loan agreement or credit facility entered into by the financial institution or any disbursement if, in the opinion of the special administrator such disbursement, loan or credit facility would not be adequately secured or would not be repayable on terms satisfactory to the special administrator or if the financial institution lacks the necessary funds to meet its obligations under any such agreement or if it would not otherwise be in the interests of the financial institution;

(m) suspend or reduce the right of creditors of the financial institution to claim or receive interest/profit on any money owing to them by that financial institution;

(n) convene the annual general meeting and any other meeting of the shareholders of the financial institution provided for the under the law regulating companies;

(o) convene a meeting of the creditors of the financial institution for purposes of establishing the liabilities of the financial institution;

(p) keep such accounting records and prepare such annual financial statements, interim reports and provisional annual financial statements as the financial institution would be required under this Law, Regulations, any other law or by the Central Bank;

(q) ensure compliance by the financial institution with its obligations under this Law; and

(r) do any other act or thing which is necessary and expedient to facilitate the carrying out of acts authorized above.

(2) The Central Bank may in a letter of appointment specify the powers and duties of a special administrator and the purpose of the appointment and the powers and duties may be modified or varied from time to time as the Central Bank may find necessary.

(3) The special administrator shall have unlimited and unrestricted access to any information he may require from a financial institution, its Senior managements, employees, agents, associates or any other person who may have the information and no person shall invoke professional secrecy as a basis to deny the special administrator the information.

(4) A financial institution, its Senior managements, employees, agents and associates shall give the special administrator full support and cooperation in the exercise of his powers and in the discharge of his duties and shall provide him with all the information, documents, human resources, material resources and any other thing that he may require.

(5) Where the special administrator's duties include making prior approvals of decisions, instructions, transactions and other operations, the Central Bank may specify in the letter of appointment, the types of decisions, instructions, transactions and operations which need to be approved by the special administrator.

(6) Any decision made, transaction or operation carried out by a special administrator in violation of any specific directions of the Central Bank under sub-clause (5) is liable to annulment by the Central Bank and any asset transferred or acquired may be returned or refunded.

88. Management of a financial institution by a special administrator

(1) Where a special administrator has been appointed to manage a financial institution-

(a) the Central Bank shall publish the appointment in its website;

(b) the Central Bank may limit or suspend the powers of senior management, board of directors and general assembly of shareholders of the financial institution;

(c) his powers shall extend to associates and other third parties dealing with the financial institution;

(d) he may suspend, in whole or in part, any payment, asset transfer, contract execution or transactions of the financial institution if he considers it necessary and no payment, asset transfer, contract execution or transaction shall be carried out without the prior approval of the special administrator.

(2) Any suspension made or effected under sub-article (1)(d) shall be published in the website of the financial institution.

(3) During the suspension, no creditor shall seize any asset of the financial institution or lodge a claim in a court of law against the financial institution and all enforcement actions for obtaining or recovering any debt from the financial institution shall be suspended.

(4) In the discharge of his duties, a special administrator shall consult with the Central Bank from time to time.

89. Mandate of the special administrator on recovery of a financial institution

(1) Where the mandate of a special administrator is to reorganize, restructure or recover a financial institution, he shall analyse the financial institution's financial situation, its management structure or operating conditions, and shall submit to the Central Bank a report on the prospects of restoring the financial institution's financial soundness or improving its operating structure.

(2) Upon receipt of the special administrator's report, the Central Bank shall decide on the prospects of restoring the financial institution's financial soundness or re-organizing its management or operating structure and before doing so, the Central Bank may meet the senior management, the board of directors, shareholders and financial institution's creditors.

90. Modalities for recovering a financial institution

(1) Where the Central Bank is of the opinion that the financial soundness of the financial institution can be restored or its management structure or operating conditions should be improved, the Central Bank may inform the financial institution, its senior management, board of directors, shareholders or creditors on the recovery modalities which is to be adopted.

(2) Modalities for recovering a financial institution which the Central Bank may adopt include the following-

(a) writing-off some or all of the ordinary debts of the financial institution;

(b) purchasing all or part of the financial institution's assets and liabilities by another financial institution;

(c) conversion of debts into shares;

(d) sale of non-performing loans to an investment institution or any other qualified institution as approved by the Central Bank;

(e) merger or acquisition of a weak financial institution by a strong or healthy financial institution;

(f) restructuring the shareholding, management or operating framework of a financial institution;

(g) formation of a bridge bank to temporarily acquire a weak bank;

(h) emergency liquidity support to a financial institution by the Central Bank and on such conditions as the Central Bank may impose which may include provision of security;

(i) nationalization or acquisition of a weak financial institution by the Government; or

(j) undertaking any other transaction or operation that may restore the financial institution's financial soundness;

(3) The powers of the Central Bank in sub-article (2) of this Article shall be exercised with the objective of taking the most appropriate action in each case which shall-

(a) protect and enhance the stability of the financial system of Somalia;

(b) protect and enhance public confidence in the stability of the financial system of Somalia; and

(c) protect the depositors.

(4) The Central Bank may in Regulations provide a framework for the implementation of recovery modalities outlined in this Article or such other additional modalities as may be prescribed.

91. Recourse to experts

In discharging his duties, a special administrator may seek the services of experts including accountants, external auditors and lawyers.

92. Remuneration of the special administrator and experts cost

The remuneration of a special administrator and any expenses or costs lawfully incurred by him including costs of hiring an expert shall be paid by the financial institution.

93. Completion of duties of the special administrator

(1) Upon completion of his duties, the special administrator shall submit a comprehensive report to the Central Bank which shall contain specific recommendations on actions to be taken.

(2) The special administrator shall be bound by professional secrecy with regard to any information obtained in connection with his work.

94. Cooperation on recovery activities

The Central Bank may cooperate and collaborate with relevant authorities both domestic and cross-border to achieve an orderly recovery of a financial institution.

PART IX - LIQUIDATION

95. Voluntary liquidation

(1) A financial institution may voluntarily wind up its business operations.

(2) No voluntary liquidation shall take place without the prior approval of the Central Bank.

(3) An application for approval for voluntary liquidation shall be made to the Central Bank and shall be accompanied by the following documents or information-
   (a) voluntary liquidation plan;
   (b) details of the proposed liquidator;
   (c) a report by an independent auditor certifying that the financial institution is solvent and is capable of promptly settling all claims against it including claims of depositors and other creditors, as the case may be.

(4) The Central Bank may consider the application and make a decision thereon within sixty days from the date of receipt of full information.

(5) Before granting an approval for voluntary liquidation, the Central Bank shall be satisfied that the financial institution has sufficient and available assets to promptly settle all claims due from it.

(6) The Central Bank may grant an approval on such conditions as it may find necessary to ensure that all claims shall be promptly settled by the financial institution including potential post liquidation liabilities.

(7) Where voluntary liquidation is not being executed in accordance with the approved voluntary liquidation plan, the Central Bank may take over the financial institution and put it under compulsory liquidation.

(8) The Central Bank may in Regulations prescribe requirements on voluntary liquidation of financial institutions generally or for particular categories of financial institutions and the Regulations may provide for-

- (a) lodging, proof and payment of claims by the liquidator;
- (b) operations to be approved by the Central Bank;
- (c) powers of the liquidator;
- (d) handling of unclaimed deposits and other funds; and
- (e) any other matter that is necessary to enable efficient execution of a voluntary liquidation and payment of all claims.

96. Voluntary liquidation plan

(1) A voluntary liquidation plan shall consist of-

- (a) a comprehensive statement of assets and their respective values;
- (b) a comprehensive statement of liabilities specifying the amount of each debt, its preferential or unsecured nature, and whether it is contested or not;
- (c) details of depositors or creditors, as the case may be, including their names, identification documents and their respective claims against the financial institution.

(2) Upon approval of the voluntary liquidation plan, the liquidator of the financial institution shall on a weekly basis, for three consecutive weeks, publish in a newspaper with wide circulation in Somalia and through any other appropriate channel, including the financial institution's website, notice of the voluntary liquidation and inviting claimants to lodge their respective claims with the liquidator.

97. Lodging and payment of claims by liquidator

(1) Any interested person may lodge a claim with the liquidator within three months from the date of publication of the notice inviting claimants to lodge claims.

(2) The liquidator may invite each claimant to submit supporting documents for his claim or may rely on documents or information in possession of the financial institution.

(3) The liquidator shall pay claims that have been fully and satisfactorily proved.

(4) Payment of claims shall be made in the following order of priority-

(a) statutory obligations of the financial institution under this Law or any other written law;
(b) liquidation expenses;
(c) depositors; and
(d) other creditors.
(e) salaries and benefits to employees

98. Completion of voluntary liquidation

(1) Upon completion of voluntary liquidation, the liquidator shall prepare and submit to the Central Bank a comprehensive report detailing his activities, the extent of execution of the approved voluntary liquidation plan, the settlement of claims, the financial status of the financial institution and any other pending or unresolved matter.

(2) The Central Bank shall analyse the report and may request for additional information or clarification from the liquidator and if satisfied of the completion of the liquidation process, may release the liquidator.

99. Grounds for compulsory liquidation

(1) The Central Bank may place a financial institution under compulsory liquidation for any of the following reasons-
(a) the recovery plan provided by the financial institution has not been complied with or is jeopardizing the interests of depositors or other creditors, as the case may be;
(b) the financial institution has violated this Law or the Regulations in a serious way;
(c) the financial institution is unable, or likely to become unable, to pay its debts;
(d) the financial institution is failing, or is likely to fail, to satisfy the regulatory capital requirements under this Law;

(e) the special administrator gives evidence that it is necessary;
(f) the financial institution is insolvent and there is no possibility of recovery;
(g) the parent financial institution or holding company is undergoing liquidation;
(h) the license of the financial institution has been revoked; or
(i) the financial institution has facilitated money laundering or financing of terrorism;

(2) Upon declaration of compulsory liquidation of a financial institution, the Central Bank shall take steps and put measures in place to ensure protection of assets of the financial institution and to protect the interests of depositors and the creditors, as the case may be.

(3) Where a special administrator has been appointed, the powers of the special administrator of a financial institution shall cease immediately the Central Bank puts a financial institution under compulsory liquidation.

100. Authority responsible for compulsory liquidation

(1) The Central Bank shall be the authority responsible for compulsory liquidation of financial institutions.

(2) The Central Bank shall appoint a liquidator for a financial institution that has been placed under compulsory liquidation and may at any time remove a person appointed as a liquidator.

(3) The powers of the board of directors, senior management and shareholders of a financial institution shall cease upon the appointment of a liquidator.

(4) The remuneration of the liquidator and other costs relating to compulsory liquidation of a financial institution shall be borne by the financial institution itself.

(5) During liquidation, a financial institution shall remain under the supervision of the Central Bank.

(4) The Central Bank shall issue Regulations to govern the compulsory liquidation process and shall provide for all relevant matters including but not limited to the following-

(a) responsibilities and activities of the liquidator;
(b) lodging, proof and payment of claims;
(c) meeting with creditors, depositors and shareholders;
(d) supervisory powers of the Central Bank;
(e) reports to the Central Bank by the liquidator;
(f) appointment of experts;

(g) priority of payment of claims;
(h) keeping of records and auditing of books of accounts during liquidation process;
(i) any other matter necessary for smooth liquidation of a financial institution.

(5) The Central Bank shall in Regulations determine which financial institutions may be subject to compulsory liquidation under this Law;

Provided that banks, microfinance banks and other deposit-taking financial institutions shall automatically be subject to compulsory liquidation under this Law.

101. Publication of the decision of compulsory liquidation

The Central Bank shall within two days from the date of placing a financial institution under compulsory liquidation, publish in its website, a notice on the placement of a financial institution under compulsory liquidation and the appointment of a liquidator.

102. Effect of appointment of a liquidator

(1) From the date of appointment of the liquidator-

(a) all payment of liabilities of whatever kind due from the financial institution to any person shall be suspended; and

(b) no actions against the financial institution in liquidation may be brought, continued or prosecuted, and no executions or attachments shall be levied on the assets of the financial institution in liquidation without the leave of the court.

(2) No disposition of any property or asset of a financial institution shall be made by the financial institution after the date of declaration of compulsory liquidation;

(3) Any disposition of any property or asset of a financial institution made within six months prior to the date of compulsory liquidation shall be voidable as against the financial institution

(4) All payments and other acts carried out by the financial institution undergoing liquidation and payments made to the financial institution undergoing liquidation, in violation of the dispossession order affecting it, shall not be invoked against the financial institution’s creditors.

(5) This Article shall not apply to any disposition of asset or any payment or settlement made in accordance with rules of a payment system and as permitted under any law on Payment System.

(6) A financial institution undergoing liquidation shall retain its legal personality until the completion of the liquidation process and it is wound up in accordance with the law relating to winding up of companies.

(7) In all communications between a liquidator and third parties, the liquidator shall notify the third parties that the financial institution is under liquidation.

103. Powers of the liquidator

(1) A liquidator shall be vested with powers to:

- (a) initiate legal proceedings on behalf of a financial institution undergoing liquidation or defend it in any legal proceeding;
- (b) manage the financial institution;
- (c) obtain the services of lawyers, notaries, accountants, evaluators and other professional advisers;
- (d) make any compromise or arrangement between the financial institution and creditors, persons claiming to be creditors or persons purporting to have present, future or liquid claims;
- (e) make compromises on calls for funds, exposures related to the calls for funds, exposures which may entail debts, any sort of present and future claim likely to give rise to claim in damages and exposures existing or likely to exist between the financial institution undergoing liquidation and third parties;
- (f) collect and recover all assets and other claims of the financial institution
- (g) sell movable and fixed assets of the financial institution at public auction or by mutual agreement, in one or several batches;
- (h) sell all or part of the financial institution's assets for reimbursing creditors;
- (i) declare null and void any act carried out by the financial institution within a year from the date of the Central Bank's decision appointing the liquidator, if the financial institution and the third parties knew or ought to have known that the said acts would jeopardize the interests of the financial institution, its depositors or creditors, as the case may be;
- (j) sign and execute all acts on behalf of the financial institution undergoing liquidation;
- (k) represent the financial institution undergoing liquidation in any bankruptcy proceedings involving another entity or company in which the financial institution has an interest;
- (l) issue or endorse, on behalf of the financial institution undergoing liquidation, any commercial paper within the limits of the liquidator's powers;

(m) mobilise the necessary funds by means of securities of the financial institution undergoing liquidation;

(n) appoint any person to represent him;

(o) identify individual liability of each shareholder, member of the board of directors and managers of the financial institution undergoing liquidation;

(p) remove benefits granted to shareholders;

(q) agree on, negotiate and conclude any act in the interest of the depositors of the financial institution undergoing liquidation;

(r) request in writing any person who is or was a Senior management, manager, employee or external auditor of the financial institution undergoing liquidation, or any other person keeping funds or other assets of the financial institution undergoing liquidation-

(i) assist the liquidator during the liquidation procedure;

(ii) present himself or herself to the liquidator for consideration of anything relevant to the liquidation;

(iii) produce any document related to the activities of the financial institution undergoing liquidation.

(2) A liquidator may conduct investigation to -

(a) determine the causes of the insolvency;

(b) report on various transactions relating to:

(i) related parties;

(ii) violations of laws and regulations;

(iii) the nature of transactions and lending practices, where applicable; or

(iv) the policies and procedures of the financial institution undergoing liquidation.

104. Lodging of claims with liquidator

(1) Within forty five days after publication of the notice on compulsory liquidation of a financial institution, the liquidator shall publish a notice in the financial institution's website and other channels, inviting all persons having any claim against the financial institution to lodge their claims with the liquidator.

(2) A claim shall be lodged with the liquidator within sixty days from the date of a liquidator's invitation notice referred in sub-article (1) but the liquidator may extend this period if he finds it necessary.

(3) A claim lodged under sub-article (1) shall state-

(a) full particulars and identity details of the claimant;

(b) the nature of the claim and how it arose;

(c) the total amount being claimed; and
(d) such other particulars as the liquidator may specify in the invitation notice or as may be prescribed.

(4) Copies of any available document in support of any claim shall be submitted to the liquidator together with the claim.

(5) The liquidator may permit a claimant who fails to lodge his claim within the period specified in sub-article (2) to do so within such extended time as the liquidator may specify.

105. Payments to depositors and other creditors

(1) Within six months from the date of commencement of compulsory liquidation of a financial institution, the liquidator shall begin making payments to depositors and creditors, as the case may, in the following order of priority -
(a) statutory payments;
(b) liquidation expenses;
(c) secured or protected depositors;
(d) unsecured depositors;
(e) other creditors to rank in *pari passu*; and
(f) staff wages and salaries net of any liabilities to the financial institution;shareholders.

(2) Payments to depositors and other creditors shall be net of any liability for any amounts due from the depositor or creditor to the financial institution.

106. Loss of the eligibility for management functions in a financial institution

Any person, who after investigations is found to have violated this Law, Regulations, policies or procedures of a financial institution undergoing liquidation or who contributed to its insolvency shall cease to be eligible to be appointed to manage or control a financial institution in Somalia for at least five years after the date of that determination.

107. Board of directors to discharge liabilities of financial institution

(1) Where the liquidation of a financial institution reveals insufficiency of assets, the Central Bank may, upon a request by the liquidator, apply to a court of law for an order requiring a member or members of the board of directors or senior management of the financial institution to discharge in part or in whole the liabilities of the financial institution.

(2) The court order issued under sub-article (1) may permit attachment and sale of personal assets of a member or members of the board of directors or senior management of the financial institution.

108. Duration of the liquidation and report thereon

The mandate of a liquidator shall be for two years, but may be renewed by the Central Bank for such period as may be necessary.

109. Keeping and auditing of books of accounts by the liquidator

(1) The liquidator shall;

- (a) keep proper books of accounts and proper financial records in relation to the accounts which show a complete, true and fair state of affairs of the financial institution in liquidation;
- (b) prepare in respect of every three months a statement of accounts showing the statement of affairs of the financial institution in liquidation;
- (c) ensure that all accounts and financial records comply with International Financial Reporting Standards;
- (d) every 6 months procure the services of an auditor to audit the accounts of the financial institution in liquidation; and
- (e) submit the audited accounts to the Central Bank.

(2) When the liquidator has realized all the property of the financial institution, or so much of it as can, in his opinion, be realized without needlessly protracting the liquidation, and has made distribution to all depositors and creditors, he or she shall cause final audited financial statements to be prepared and submitted to the Central Bank.

110. Release of liquidator

(1) Where the Central Bank is satisfied that the audited financial statements present a correct state of affairs of the liquidation, and is satisfied with the performance of the liquidator, the Central Bank may release the liquidator and discharge him or her from all liability in respect of any act done or default made by him or her in good faith in the administration of the affairs of the financial institution; except that such discharge may be revoked on proof that it was obtained by fraud or by suppression or concealment of any material fact.

(2) The release of the liquidator shall operate as his or her removal from office.

111. Differentiated liquidation process

(1) The Central Bank may in Regulations prescribe a separate process for winding up the business of a particular category of non-deposit taking financial institutions taking into account-

(a) the nature of business of the financial institutions falling under that category;

(b) the nature of interest of any creditors or other persons which need to be protected;

(c) the likely harm that may be caused to the financial institution or other persons;

(d) the cost that is likely to be incurred in placing the financial institution under compulsory liquidation.

(2) Where the Central Bank has prescribed a separate winding up process for any particular category of financial institutions, that process shall be applied instead of the compulsory liquidation process provided for under this Law.

PART X - PENAL PROVISIONS

112. Offences

(1) Any person who conducts a financial institution business without a license issued by the Central Bank commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding three years or to a fine not exceeding USD 100,000 or both depending on the severity of the offence.

(2) Any person who uses the term "bank", "financial institution", "finance" or their derivatives in its corporate name, trade name, domain name, signage or advertising, without a license issued by the Central Bank commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding one year or to a fine not exceeding USD 20,000 or both.

(3) Any person who takes deposits from members of the public without a license authorizing to take a deposits issued under this Law commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding three years or to a fine not exceeding USD 100,000 or both.

(4) Any person who:

(a) is a member of the board of directors, Senior management, employee, agent or associate of a financial institution who provides false information to the Central Bank;

(b) is involved in the management or in taking decisions regarding a financial institution while he or she has been disqualified by the Central bank or regulatory authority or declared personally bankrupt in Somalia or abroad;

(c) participated in the membership of the board of directors or senior management in a financial institution and contributed wholly or partly in the bankruptcy of a financial institution;

commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding three years or to a fine not exceeding USD50,000 or both depending on the severity of the offence.

(5) Any person who:

(a) does not comply with requirements of a liquidator during the liquidation of a financial institution;

(b) obstructs the liquidator while discharging his/her mandate;

(c) provides the liquidator with false information or who knowingly makes false or misleading statements;

commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding two years or to a fine not exceeding USD 10,000 or both depending of the severity of the offence.

(6) Any member of the board of directors of a financial institution or any other person employed by a financial institution, who:

(a) fails to respond to the Central Bank's requests or who provides inaccurate information;

(b) obstructs in any manner Central Bank's supervisory activities;

(c) obstructs an external auditor's, special administrator's or liquidator's activities or who refuses to give any of them access to all documents or information relevant to the accomplishment of his/her mandate;

commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding two years or to a fine not exceeding USD 30,000 or both.

(8) Any director who fails to report to the Central Bank when he has reason to believe or ought to believe that a financial institution-

(a) may not be able to conduct its business as a going concern;

(b) is unable, appears to be or is likely in the near future to be unable to meet all or any of its obligations as they fall due; or

(c) does not or may not be able to meet its regulatory capital requirements as prescribed in this Law or Regulations,

commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding one year or to a fine not exceeding USD 10,000 or both depending on the severity of the offence.

(9) Any external auditor who fails to report to the Central Bank when it has come to his knowledge that-

(a) there has been a serious breach of or non-compliance with the provisions of this Law, Regulations, guidelines, directives, conditions imposed or orders issued by the Central Bank or a breach of other relevant written laws by a financial institution he is auditing;

(b) a criminal offence involving fraud or other dishonesty has been committed by the financial institution or any of its Senior managements or employees;

(c) losses have been incurred which reduce the regulatory capital, and any of its components, of the financial institution by fifty per cent or more;

commits an offence and shall be liable, upon conviction to imprisonment for a term not exceeding one year or to a fine not exceeding USD 20,000 or both depending on the severity of the offence.

(10) A director who fails to disclose to a financial institution and its board of directors-

(a) all his associates;

(b) all interests he has in a financial institution or in an associate of a financial institution; or

(c) any matter which might pose a conflict of interest if he participates in the matter or participates in the decision-making process involving the matter

commits an offence and shall be liable, upon conviction, to imprisonment for a term not exceeding one year or to a fine not exceeding USD 10,000 or both depending on the severity of the offence.

(11) Any person who, having been found by the Central Bank as not fit and proper to become or continue to be a director, senior management or significant shareholder of a financial institution commits an o offense if he Laws as a director, senior management or holds significant shareholding in the financial institution, and shall be liable upon conviction, to imprisonment for a term not exceeding one year or to a fine not exceeding USD 20,000 or both depending on the severity of the offence.

(12) Any Senior management, employee or agent of the Central Bank,financial institution and any other person who unlawfully disclose any information which comes into his possession as a result of the performance of his duties or responsibilities under this Law commits an offence and shall be liable upon conviction, to imprisonment for a term not exceeding one year or to a fine not exceeding USD 20,000 or both depending on the severity of the offence..

(13) A person who fails to comply with any direction of the Central Bank issued under this Law or Regulations issued under this Law commits an offence and shall be liable upon conviction, to imprisonment for a term not exceeding one year or to a fine not exceeding USD 10,000 or both depending on the severity of the offence.

(14) Any punishment administered against any financial institution, Senior management, employee or agent under this Article shall be independent of any other penalty or administrative action which the Central Bank may impose against a financial institution, Senior management, employee or agent under this Law and Regulations.

PART XI - GENERAL PROVISIONS

113. Opening, relocation and closing of places of business

(1) A financial institution shall obtain the prior approval of the Central Bank before opening, relocating or closing the following places of business-

a) Head office; and

b) a branch.

(2) The Central Bank may decline to approve the opening, relocation or closure of a place of business under sub-article (1)-

a) if the operation may compromise the quality of management or the financial soundness of the financial institution;

b) if it will jeopardize the interests of the financial institution's customers, or

c) if it will hinder the effective prudential supervision of the financial institution.

(3) The Central Bank may in Regulations prescribe requirements for opening, relocating and closing of other places of business.

114. Use of technology in conducting business

(1) A financial institution may use technology to conduct its business or provide services.

(2) Technology referred in sub-article (1) may include but not limited to the use of-

(a) electronic channels;

(b) automated teller machines (ATMs);

(c) point of sales (POS);

(d) cards such as debit cards, credit cards, stored value cards and other payment instruments;

(e) internet;

(f) mobile devices such as mobile phone; and

(g) other means or channels as may be approved by the Central Bank on an application by a financial institution.

(3) Financial institutions may partner with payment service providers, payment instrument issuers or mobile network operators to provide services to their customers using services or instruments provided by these third parties.

(4) The Central Bank may prescribe in Regulations a framework or requirements for using any of the technology or channels listed in sub-article (2) and the Regulations may provide different requirements for different technologies as the Central Bank may prescribe.

115. Limit on profits recovered on non-performing financing

(1) A financial institution whose business includes granting of credit facilities shall be limited in what it may recover from a debtor with respect to a non-performing loan to the following maximum amount-

(a) the unpaid balance of the principal when the loan becomes non-performing;

(b) interest/profit, in accordance with the contract between the debtor and a financial institution or any applicable law, not exceeding the principal owed when the loan becomes non-performing; and

(c) expenses incurred in the recovery of any amounts owed by the debtor.

(2) If a loan becomes non-performing and then the debtor resumes payments on the loan and then the loan becomes non-performing again, the limitation under paragraphs (a) and (b) of sub-article (1) shall be determined with respect to the time the loan last became non-performing.

(3) The limitation provided for under this Article shall not apply to sums ordered by a court of law as long as the initial claim in court did not contravene any limitation under this Article.

(4) The Central Bank shall in Regulations prescribe-

(a) the time when a loan becomes non-performing in respect of different categories of financial institutions, type of loans and tenor of loans; and

(b) the procedure for calculation and disclosure of interest/profit rate or rate of return.

116. Intervention on rate profit or rate of return

(1) The Central Bank may intervene and regulate interest/profit rates or rate of return applied by financial institutions on loans and deposits if it is in the interest of consumers or the economy to do so.

(2) In intervening, the Central Bank may consider the following factors:

(a) the prevailing performance of the economy;

(b) the need to accelerate access to credit by the majority of the population including the small and medium enterprises, women and the youth, ;

(c) the rate of non-performing loans generally; or

(d) the need to increase uptake of credit generally;

(3) Any intervention under sub-article (1) shall be published in the *website* and shall specify the interest/profit rate or rate of return to be applied or the formula to be used to calculate the interest/profit rate or rate of return.

117. Online access to systems

(1) A financial institution shall provide the Central Bank with remote secure read-only access to its systems so that it can monitor, in real-time transactions and records kept in the system.

(2) A financial institution shall develop a suitable framework to enable the Central Bank to have access referred to in sub-article (1).

(3) Notwithstanding sub-article (1), the Central Bank or its nominee may audit a financial institution's system onsite.

118. Immunity from liability

(1) No action shall lie against the Government, the Central Bank, any Senior management, employee or agent of the Central Bank or any person acting under the direction of the Central Bank for anything done or omitted to be done in good faith in the administration of this Law and Regulations; or in the execution of any powers or duties authorized or required under any other laws that are relevant to this Law.

(2) The Central Bank shall indemnify any Senior management, employee, agent or other appointed person in respect of costs of defending his actions or omissions made in good faith while discharging his duties.

119. Outsourcing

(1) A financial institution may outsource part of its operational functions or responsibilities to a competent third party service provider and in accordance with such requirements as may be prescribed.

(2) A financial institution shall not outsource the following core management functions-

(a) planning;

(b) organizational structure;

(c) management and audit; and

(d) decision making functions like determination of compliance with applicable laws and regulations, decision to grant loans and management of the financial institution's investment portfolio.

(3) The Central Bank may in Regulations provide additional requirements on outsourcing including material activities of a financial institution which shall be approved by the Central Bank before they are outsourced.

120. Use of agents

(1) A financial institution may contract an agent to provide specified services on its behalf.

(2) The appointment of an agent and agent operations shall comply with such requirements as the Central Bank may prescribe in Regulations.

(3) A financial institution shall be liable for any loss or damage to a consumer arising from the acts or omissions of its agents, if the acts or omissions relate to an agent's obligations to the consumer.

(4) A contract between a financial institution and an agent shall be non-exclusive and an agent shall be at liberty to provide services to other financial institutions;

Provided that the agent has the capacity, facilities and resources to safely and conveniently render services to more than one financial institution.

121. Records and back up

(1) A financial institution shall keep complete, accurate and proper records of its business activities.

(2) The records shall be kept in such form including digital form as a financial institution may determine so long as the records can be retrieved in whole and their originality is not impaired.

(3) Records shall at all times be digitally backed up on real-time basis and in a safe place away from the business premises of a financial institution.

(4) All records including all correspondences relating to the business of a financial institution shall be kept for at least five years.

122. Anti-money laundering and countering the financing of terrorism (AML/CFT) compliance

(1) A financial institution, its Senior managements, employees, agents and outsourced third party service providers shall at all times comply with any existing Anti-money Laundering and Countering the Financing of Terrorism **(AML/CFT)** Law and Regulations.

(2) A financial institution shall adopt a risk-based approach in addressing AML/CFT risks relating to its business.

(3) Without prejudice to the generality of the preceding sub-article, a financial institution shall-

(a) employ customer identification procedures which ensure that the true identity of a customer and his nature of business are established;

(b) establish appropriate systems and internal control measures for monitoring and screening transactions; and identifying suspicious transactions;

(c) be held accountable and responsible for agents' compliance with existing AML/CFT Law and Regulations;

(d) develop appropriate AML/CFT compliance program and appoint a chief compliance Senior management for ensuring compliance with AML/CFT Law and Regulations;

(e) provide regular training for employees and agents to ensure that they are informed of new developments and current money laundering and terrorist financing techniques, methods and trends;

(f) report suspicious transactions and large cash transactions to the Financial Reporting Centre and comply with such guidelines as may be issued by the Financial Reporting Centre

(g) periodically conduct independent reviews on the adequacy of the AML/CFT compliance program; andsubmit such reports to the Central Bank as may be prescribed.

(4) All licensed financial institutions must effectively utilize effective identification framework in line with the requirements imposed by the Central Bank in Regulations, covering the identification of their customers through particular approved documents or through any other appropriate means, whether electronic or otherwise; and which ensures the establishment of the true identity of the customers.

123. Competition

(1) No financial institution shall engage in anti-competitive practices, contract, arrangements or undertakings that would be likely to substantially inhibit competition in the market.

(2) A financial institution shall not discriminate against any person seeking services on any ground other than on ground of suspicion of terrorism financing.

124. Restriction on use of word "bank"

(1) Except as otherwise provided for in this Law, no person, other than a bank, shall use the word "bank" or any of its derivatives in any language in the description or title under which that person is carrying on business in Somalia, or make any such representation in any billhead, letter, paper, notice, advertisement or in any other manner whatsoever.

(2) Subject to sub-article (3), no person, other than a bank, shall be incorporated or registered using a name or title, and no person other than a bank shall change its name to a name or title, that includes the word "bank" or any of its derivatives in any language.

(3) Nothing in this Article shall apply to -

(a) any institution established under any other law;

(b) any body whether incorporated or not, that is formed or registered in any country, other than Somalia, under a name or title that includes the word "bank" or any of its derivatives which is authorised by the Central Bank to use such word or its derivatives in connection with the establishment or operation of a bank or a representative office in Somalia;

(c) any subsidiary of a licensed bank which is authorised by the Central Bank to use the word "bank" or any of its derivatives; and

(d) an association of banks or bank employees, formed for the protection of their common interest.

(4) Notwithstanding subsection (1), the Central Bank may, on such terms and conditions as it thinks fit, authorise a holding company of a bank to use the word "bank" or any of its derivatives in any language.

(5) The use of the word "finance" or "financial institution" is restricted in the same manner as the use of the word "bank" is restricted under this Article and no person shall use the word finance" or "financial institution" or their derivatives unless pursuant to a license issued by the Central Bank; or the use falls under the exception provided for under sub-article (3).

125. Dormant accounts

(1) An account shall become dormant if no activity has been conducted in it for a continuous period of six months.

(2) No charges or fees shall be levied on a dormant account.

(3) A financial institution shall close a customer account which has become dormant and no transaction has been conducted therein for a continuous period of two years.

(4) Any funds in a dormant account shall be kept safely pending tracing of the customer or activation of the account.

(5) A financial institution shall make every effort to trace a customer whose account has become dormant and shall use all available and known contacts including contacts s of his next of kin and known associates and these efforts shall be documented.

(6) At the opening of an account, a financial institution shall take full details of the customer, next of kin and other contact persons.

(7) A financial institution shall require its customers to update their personal records and details of their contact persons at least every two years.

(8) The Central Bank may in Regulations provide additional requirements on dormant accounts.

126. Abandoned funds

(1) Funds in a customer's account which has been closed because of dormancy shall be surrendered to the Central Bank together with the details of the owners of the funds.

(2) Any funds surrendered to the Central Bank may be released to the owner or his legal representative upon proof of his true identity and claim on the funds.

(3) The Central Bank may formulate Regulations to govern the dealing with and management of abandoned funds.

(4) A financial institution shall cease to be liable in respect of funds which have been surrendered to the Central Bank but shall remain liable for any commission or omission relating to those funds which took place before the funds were surrendered to the Central Bank.

127. Confidentiality

(1) A financial institution and its agents shall keep confidential customer information.

(2) Despite the prohibition in sub-article (1), a financial institution may disclose customer information-

- (a) to the customer concerned;
- (b) to the Central Bank;
- (c) to another person, with the express consent or written authorization of the customer concerned;
- (d) as required under any written law, including this Law; or
- (e) as ordered by a court of law.

128. Consumer protection

(1) A financial institution shall develop and adopt general policies on safe operations, privacy of consumer information, reliable and quality service, transparency of services, fair treatment and prompt response to complaints, enquiries and quick resolution of complaints.

(2) The Central Bank may develop and promote such programmes and initiatives, in collaboration with financial institutions or bodies representing the financial institutions, to inform and educate customers or potential customers of financial products and financial services.

(3) A financial institution shall appoint a Senior management to deal with complaints and grievances from their customers.

(4) Any customer of a financial institution who is aggrieved by any act or omission of the financial institution may make a complaint to the financial institution for remedial action.

(5) The Central Bank shall in Regulations formulate a comprehensive framework on consumer protection.

129. Misleading advertisement for deposits

(1) No financial institution or any other person shall issue any advertisement, brochure, circular or other document inviting any person to make a deposit which-

(a) falsely represents that he is authorized to accept deposits or is otherwise licensed under the provisions of this Law; or

(b) is issued contrary to any direction given by the Central Bank under the provisions of sub-article (2),

(2) The Central Bank may, at any time direct any person to withdraw, amend or refrain from issuing any advertisement, brochure, circular or other document relating to deposits which, in its sole discretion, it considers to be misleading.

130. Electronic documents, communication and information

(1) The Central Bank, a financial institution, a consumer, agent or any other person affected by or covered under this Law may use electronic means to –

(a) generate or produce a document, record or any other information;
(b) communicate any information to any person;
(c) receive any communication from any person; or
(d) store documents, records or any other information;

(2) Any use of electronic document, communication or information shall ensure the following-
(a) the originality of the document, communication or information is preserved at all times;
(b) the origin and author of the document, communication or information can be authoritatively established;
(c) all risks relating to electronic documents, communications and information are identified, assessed, managed, controlled and mitigated;
(d) the document, communication or information is stored in such form that it can be conveniently retrieved in its original form as and when required;
(e) electronic messages contain full details of the source, author, date and time of publication; and recipient or destination; and
(f) such other requirements as the Central Bank prescribe.

(3) Electronic documents, records, communications or information and their extract shall be admissible in evidence in any court of law or tribunal where such documents, records, communications or information are required;

Provided that the electronic documents, records, communications or information are in their original form or can be retrieved or extracted in their original form.

(4) The Central Bank may in Regulations provide additional requirements on electronic documents, communication and information.

131. Complaints resolution mechanism

(1) A financial institution shall provide an easy, convenient and accessible means of lodging complaints.

(2) Complaints or disputes shall be resolved immediately and if this is not practicable, within a reasonable time or within such other period as the Central Bank may prescribe.

(3) A consumer shall be continuously updated on the progress on the resolution of his complaint.

(4) A financial institution shall resolve a complaint to the satisfaction of the consumer and where the consumer is dissatisfied with the outcome of the resolution, he may pursue any other available remedies including lodging the same complaint with the Central Bank.

132. Ombudsperson

(1) In the absence of national consumer protection ombudsperson, the Central Bank shall appoint and designate any of its Senior managements to be the Ombudsperson for financial institutions.

(2) The Central Bank shall make such regulations as may be necessary –

(a) concerning the functions, duties and powers of the Ombudsperson; and

(b) for dealing with complaints against financial institutions by their customers.

133. Reports to the Central Bank

(1) A bank shall submit reports to the Central Bank, on both a solo and a consolidated basis, on its financial condition, performance and risks, on demand and at regular intervals.

(2) Reports referred to in sub-article (1) may provide information such as on- and off-balance sheet assets and liabilities, profit and loss, regulatory capital adequacy, liquidity adequacy, large exposures, risk concentrations (including by economic sector, geography and currency), asset quality, loan loss provisioning, related party transactions, interest/profit rate risk, and market risk and on such other matters as the Central Bank may prescribe in Regulations.

(3) The Central Bank shall in Regulations prescribe the reports which other financial institutions shall be required to submit to the Central Bank on demand and at regular intervals.

134. Credit information sharing

(1) Financial institutions licensed under this Law shall share both positive and negative credit information of their customers in such manner as shall be prescribed in Regulations.

(2) The Central Bank may license credit reference bureaus for purposes of collecting, analyzing and sharing credit information of customers with financial institutions and any other authorized person.

(3) A customer shall be served with-

(a) a pre-listing notice before credit information is submitted to a credit reference bureau; and

(b) a post listing notice after his credit information has been submitted to a bureau.

(4) The Central Bank shall in Regulations provide for the framework for credit information sharing and operation of credit reference bureaus.

135. Interoperability

(1) A financial institution shall use technological systems capable of becoming interoperable with other systems in the country and internationally, in order to facilitate full interoperability.

(2) A financial institution may enter into interoperability or interconnectivity arrangements with other financial institutions to enable transactions across all networks, systems or business platforms without any limitation or restriction.

(3) The Central Bank may give directions on the implementation of interoperability.

136. Innovation

(1) In order to promote innovation and the development of the financial system, a financial institution may invest in research and develop new products or services either alone or

with another person through an experimental or “Test and Learn” process, which shall be exempted from the provisions of this Law and Regulations during the trial phase.

(2) In consultation and with the approval of the Central Bank and in compliance with such requirements as the Central Bank may impose, a financial institution may in a controlled environment conduct a pilot testing of a new innovative product or service and shall keep the Central Bank updated on the progress.

(3) Every risk relating to the innovative product or service being tested shall be identified, assessed, managed and mitigated and risk assessment reports shall be submitted to the Central Bank.

137. Bank holiday

(1) The Central Bank may, at any time, by a notice in it’s the webiste, declare any day to be a bank holiday.

(2) A financial institution shall not be open to the public on a bank holiday.

(3) A bank holiday declared under sub-article (1) of this Article shall not necessarily be a public holiday and nothing in this Article shall be deemed to affect the provisions of any law in force relating to public holidays.

(4) Without prejudice to sub-article (1), the Central Bank may, on application by a financial institution or a branch of a financial institution, if satisfied that it is necessary to do so, authorize the financial institution or branch to remain closed on such day or part thereof, or on such days as may be specified in the authorization, subject to such terms and conditions as the Central Bank may impose.

138. Association of financial institutions

Financial institutions may form associations for purposes of-

(a) improving themselves and their business;
(b) prescribing a code of conduct to which all financial institutions falling under a particular category shall subscribe to;
(c) facilitating interoperability arrangements between themselves or with other financial institutions;
(d) developing industry standards and guidelines for the safe, secure and efficient provision of services;
(e) adopting international standards and best practices relating to their business;
(f) championing their interests before the Central Bank or any other Government authority or other body;

(g) developing a dispute resolution framework for purposes of resolving disputes between themselves; and

(h) adopting joint policies and practices towards consumer protection.

139. Relationship with other Laws

Where there is a conflict between the provisions of this Law and the provisions of any other written law applicable to a financial institution licensed under this Law, the provisions of this Law shall to the extent of the inconsistency, prevail;

140. Technical notes

The Central Bank may from time to time in a circular issue technical notes to explain any term or phrase used in this Law or Regulations to ease the administration of the Law and Regulations.

141. Issuance of circulars and guidelines

(1) The Central Bank may from time to time issue circulars regarding the application or implementation of any provision of this Law or Regulations.

(2) The Central Bank may from time to time issue guidelines regarding-

(a) measures to be adopted by financial institutions in the application or implementation of this Law and Regulations;

(b) the standards to be adhered to by a financial institution in the conduct of its business in Somalia or in any country where a branch or subsidiary of the financial institution is located;

(c) measures and standards to be adhered to by financial institutions in order to maintain a stable, sound and efficient financial system; or

(d) the adoption of any international standards, principles or practices relating to the business of a financial institution.

(3) Any guideline issued under this Law or Regulations shall be valid and enforceable and if violated or not complied with, may be enforced by imposition of monetary penalty or such other administrative action as the Central Bank may determine.

142. Regulations

(1) The Central Bank may make such Regulations as it deems fit for the purposes of or for the implementation of any provision of this Law;

(2) The Central Bank may by Regulations-

(a) provide a framework and other requirements for the licensing, operation, supervision and winding up of business operations of each category of financial institutions covered under this Law.

(b) provide for forms for applications, licences, approvals, registers, notices, orders and other documents required for the purposes of this Law;

(c) prescribe the information to be given in reports, returns and other documents delivered or made for the purposes of this Law;

(a) prescribe fees and charges which may be payable by financial institutions;

(b) provide for offences and penalties arising from violation of the Law and the Regulations;

(c) adopt any international standards, principles or best practices which may be beneficial to financial institutions or the financial system;

(d) provide for any matter which is not expressly provided for in this Law but is necessary for the safety, stability and soundness of financial institutions, the financial system or public interest.

(e) Any other reasons the Central Bank may deem fit.

143. Savings and transitional provisions

(1) Licenses issued under the Financial Institutions Law, 2012 which were valid as at the commencement date of this Law shall remain in force and shall be deemed to have been issued under this Law.

(2) Any act, regulation and guidelines done under the Financial Institutions Law, 2012 shall remain valid and shall be deemed to have been done under this Law.

(3) Any right granted or obligation imposed by or under Financial Institutions Law, 2012 to or against any person shall continue to be in force as if it was granted or imposed by or under this Law.

(4) Any application pending, in accordance with the repealed Law, shall be deemed to have been made in accordance with the corresponding provisions of this Law, and shall be dealt with in accordance with this Law;

(5) Any right or benefit accruing or liability incurred, in accordance with the repealed Law, shall continue in accordance with and subject to this Law; and

(6) Any order, notice or direction made or given and in force, in accordance with the repealed Law, shall, unless inconsistent with this Law, continue in force until revoked in a manner specified in this Law.

(7) All Central Bank Regulations issued under the Financial Institutions Law, 2012 in force before the commencement of this Law shall continue to be in force unless reviewed or replaced by Regulations issued under this Law.

(8) Any provision of the existing Regulations issued under the Financial Institutions Law, 2012 which is inconsistent with any provision of this Law shall be interpreted in accordance with the provisions of this Law.

144. Repealing provisions

Financial Institutions Law, 2012 is hereby repealed.

145. Commencement

This Law shall come into operation once approved by the Federal Parliament, The President Federal Republic of Somalia, and published in the Official Bulletin.