Augmenting Salaam Somali Bank

Shariah-Native, Diaspora-Linked, Africa-Wide Modernisation

Zach Kelling

Lux Industries

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A Shariah-Native, Diaspora-Linked, Africa-Wide Modernisation Programme

A Lux Industries Inc. Partnership Proposal

Lux Industries Inc. | Delaware, United States
partnerships@lux.industries

Abstract

Salaam Somali Bank ("SSB") is Somalia's first privately owned commercial bank, founded in October 2009 to rebuild a formal banking system that had been absent since 1991. With over 55 branches, more than 400 employees, an approximately 45 % commercial-banking market share, ISO 9001:2015 certification, SWIFT membership, regulation by the Central Bank of Somalia, and a fully Shariah-compliant product set, SSB has become the country's anchor financial institution and the bank of choice of the Federal Government [1, 2, 3, 4]. This paper proposes a strategic partnership between ***Lux Industries Inc.*** *and SSB that augments—rather than replaces or rebrands—SSB's existing posture, and then generalises the construction to a Pan-African, Shariah-native, diaspora-linked programme. The programme treats the Somali (and broader African Muslim) diaspora as a first-class customer; treats the Shariah-compliant contracts (Murabahah, Mudharabah, Musharakah, Ijaarah, Sukuk, Takaful) as first-class on-chain primitives; treats drought-linked livelihood protection as a parametric insurance overlay settled in stablecoin; and benchmarks against production incumbents such as* ***Honeycoin*** *(settling on the order of USD 30 million per day of USDT corridor flow across Africa [10, 11]) and* ***VALR*** *(Crypto-as-a-Service for African banks and fintechs [12, 13]). The commercial model is a true fifty/fifty split of net partnership revenue above documented costs, governed by SSB's existing regulatory perimeter under the Central Bank of Somalia and Lux Industries' Delaware governing law.*

Keywords: Islamic banking; Shariah compliance; remittances; diaspora finance; Somali banking sector; African fintech; Honeycoin; VALR; parametric insurance; content-addressed audit; tokenised Mudharabah; Sukuk; SF Private Pay; Lux Network.

1 Introduction and Context

1.1 The Bank

SSB was incorporated in 2009 and licensed by the Central Bank of Somalia ("CBS"). It pioneered the return of formal commercial banking to Somalia after the eighteen-year vacuum that followed the collapse of the state in 1991. As of the publication of its most recent public profile, SSB operates more than 55 branches (twenty of them in Mogadishu), employs more than 400 staff, and holds roughly 45 % of the commercial-banking market share [1, 4]. It is the first Somali bank to achieve ISO 9001:2015 certification (2022), the first to obtain membership of the SWIFT network, and the principal banker of the Somali Federal Government [1, 3].

1.2 The Product Set

SSB's published service catalogue spans personal banking (current, savings, MasterCard and Visa debit, mobile and online banking), corporate banking (current accounts, fund transfers, Letters of Credit, Letters of Guarantee), and a full Shariah-compliant Islamic banking suite—Murabahah cost-plus sale finance, Mudharabah profit-sharing investment partnership, Musharakah joint-venture equity participation, and Ijaarah leasing [2, 3]. SSB also pioneered the "kaaftoon" branchless cash service and operates the country's largest ATM footprint.

1.3 The Social Mission

SSB has extended banking services to more than 140,000 drought-affected community members, layering insurance and savings products onto traditional pastoralist livelihoods that are exposed to recurrent climate shocks [4]. This is the segment for which an on-chain parametric overlay is most natively suited.

1.4 The Diaspora

The Somali diaspora remits an estimated USD 1.4–2.0 billion annually, constituting between 25 % and 35 % of Somalia's gross national income and exceeding the combined value of foreign direct investment and humanitarian assistance [5, 6]. The corridor is concentrated in the United Kingdom, United States, Canada, the Gulf Cooperation Council, Kenya, Ethiopia, Sweden, the Netherlands, Norway and Australia. Today the corridor is served principally by hawala-style money transfer operators ("MTOs"), most prominently Dahabshiil, Amal Express, Iftin and Tawakal, and by mobile-money rails such as EVC Plus (Hormuud) and ZAAD (Telesom). Pricing, settlement finality, regulatory transparency and dispute resolution vary widely across these channels.

1.5 Why Now

Three structural shifts make the moment unusual:

1. Somalia's recent accession to the IMF Heavily Indebted Poor Countries (HIPC) Completion Point unlocked new sovereign debt capacity and re-engaged correspondent banking interest, but the *de-risking* that began in the mid-2010s has left Somali banks structurally short on correspondent relationships [8, 7].
2. Shariah-compliant tokenisation and Islamic stablecoins have matured to a point where AAOIFI-aligned structures can be implemented on a permissioned chain with content-addressed audit and verifiable settlement [9].
3. Production African crypto-rails have crossed real scale. Honeycoin settles on the order of USD 30 million per day of USDT corridor flow between Africa, Asia and Europe [10, 11]. VALR has become a Crypto-as-a-Service backbone for African banks and fintechs [12, 13]. The infrastructure choice is no longer "whether" but "which".

2 The Partnership Hypothesis

2.1 What the Partnership Is Not

This proposal does not contemplate the white-labelling of SSB, the substitution of SSB's brand, the offshoring of SSB's regulatory perimeter, or the dilution of SSB's Shariah Supervisory Board's authority. SSB remains the licensed institution, the supervised entity under the Central Bank of Somalia, the holder of the customer relationship, the operator of branches and ATMs, and the issuer of Murabahah, Mudharabah, Musharakah and Ijaarah contracts.

2.2 What the Partnership Is

Lux Industries Inc., a Delaware corporation, makes available to SSB on a coordinated commercial basis:

1. **Simplici.io** — a digital onboarding, KYC, CIP/CDD, sanctions / PEP / adverse-media screening, e-signature and case-management platform white-labelled into the SSB customer experience.
2. **Lux Network** — a jurisdiction-neutral, identity-bearing, content-addressed audit and settlement substrate suitable for recording Shariah-compliant contract states, parametric insurance triggers, and corridor settlement flows under SSB's existing governance [14].
3. **SF Private Pay** — a payment service provider product operated under SF Private Bank's United States and Canadian license stack (BD, ATS, TA, FinCEN MSB, state money transmitter, CIRO Investment Dealer, CSA ATS/EMD, FINTRAC MSB), integrated with the Zeekash cash rails (zeekash.com) and the MyATMen ATM network (myatmen.com), giving the diaspora a regulated cash, card and rail surface in their host countries.

The commercial structure is a true fifty/fifty split of Net Partnership Revenue above Documented Costs, governed by Delaware law, with all on-shore Somali activity remaining within SSB's CBS-licensed perimeter.

3 Africa-at-Home: The Wider Opportunity

The case for SSB is the case for a Pan-African pattern. Africa has roughly 1.4 billion people and an estimated 250–300 million Muslims across the Sahel, the Horn, the Maghreb, and the East African coastal belt. The continent's youth profile (60 % of the population is under twenty-five), its mobile-money penetration (Sub-Saharan Africa accounts for nearly two-thirds of global mobile-money accounts), and its severe correspondent-banking deficit make it the largest addressable surface for the Lux Network's Shariah-native rail.

3.1 Concentric Markets

The augmentation is structured as concentric rings:

Ring	Anchor	Initial markets
Ring 0 — Horn of Africa	SSB (Somalia)	Somalia, Somaliland, Djibouti, Ethiopia (Somali region), Kenya (NEP)
Ring 1 — East African coastal Muslim corridor	Co-anchor TBD (Tanzania / Kenya / Zanzibar)	Tanzania (Zanzibar, Tanga, Dar), Kenya (Mombasa, Lamu), Mozambique (Cabo Delgado, Pemba), Comoros
Ring 2 — West African Sahel	Co-anchor TBD (Senegal / Mali / Northern Nigeria)	Senegal, Mali, Burkina Faso, Niger, Northern Nigeria, Mauritania
Ring 3 — Maghreb	Co-anchor TBD (Morocco / Tunisia)	Morocco, Tunisia, Algeria, Libya
Ring 4 — Sahelian / Sub-Saharan extension	Co-anchor TBD	Sudan, South Sudan, Chad, Central African Republic, parts of the DRC

Each ring is opened by a co-anchor commercial bank or licensed fintech selected on three criteria: (i) Shariah credibility, (ii) regulator endorsement, and (iii) operational scale. SSB is the first because all three criteria converge.

3.2 The Africa-at-Home Thesis

"Africa-at-home" means treating the African diaspora and the in-continent customer as one customer. The product surface is the same: a Shariah-compliant savings, payments, remittance and investment application. The rails are different on each side:

- **On-shore (Africa).** The local anchor bank holds the customer relationship, performs CDD, opens deposit and Islamic finance accounts, issues local payment instruments, and meets local prudential requirements.
- **Diaspora (host countries).** SF Private Bank holds the regulated US/CA-side surface; the Atmen / Zeekash / MyATMen stack provides cash, ATM, card and bank-rail access in the host country.
- **Connecting tissue.** The Lux Network records identity, audit, settlement primitives and Shariah-contract state, with confidential customer data held in jurisdiction.

3.3 Regional Regulatory Topology

Region	Primary regulator(s)	Notable Shariah / fintech framework
Horn of Africa (Somalia, Djibouti, Ethiopia)	CBS, BCD, NBE	Full Shariah windows; CBS Islamic Banking Regulation in force
East African coastal Muslim corridor (Kenya, TZ, Mozambique)	CBK, BoT, BoM	Islamic-window licences (Kenya: First Community Bank, Gulf African; TZ: Amana, KCB Sahl)
West African Sahel (Senegal, Mali, B-F, Niger, Mauritania)	BCEAO (WAEMU); BCM in Mauritania	Islamic Bank of Senegal; ICD-supported Sukuk programmes
Maghreb (Morocco, Tunisia, Algeria)	Bank Al-Maghrib, BCT, BoA	"Participatory banking" framework (Morocco); Sukuk in TN, DZ
Northern Nigeria	CBN; NDIC; NSEC	Jaiz Bank, TAJ Bank, LOTUS Bank; non-interest banking licence regime
Sudan	CBoS	Historically the most fully Islamic system in Africa

4 Comparables: Honeycoin and VALR

A serious commercial proposal requires honest reference to the incumbents already in the field. Two are particularly instructive.

4.1 Honeycoin — USD 30 Million/Day on USDT Corridors

Honeycoin operates a cross-border payments platform that uses USDT (and other dollar-stablecoins) as the settlement asset across African, Asian and European corridors. Public reporting and the company's own materials put recent throughput on the order of **USD 30 million per day** of corridor settlement, with active corridors including Nigeria, Kenya, South Africa, Ghana, the UK, the EU, the UAE and parts of South-East Asia [10, 11].

What Honeycoin proves. Three things, very clearly:

1. Stablecoin (specifically USDT) is now a credible settlement asset for African cross-border flow at production scale.
2. Africa-side liquidity for USDT is sufficient to absorb nine-figure-per-month-equivalent monthly throughput without material slippage on the major corridors.
3. Regulators in the principal African jurisdictions have accommodated, even if not formally endorsed, this model where the underlying KYC/AML and licensing structure is sound on both ends of the corridor.

Where Lux+SSB differs and complements. Honeycoin is a *payments* business. The Lux+SSB construction is a *regulated-banking-augmentation* business: it makes the existing licensed bank—SSB—able to participate in stablecoin-settled corridor flow under its own brand, under its own Shariah board, and under its own regulator's perimeter, with end-to-end content-addressed audit. Honeycoin is best in class on the pure rail; Lux+SSB plugs that class of rail into the bank's perimeter rather than around it. The two are not competitors so much as adjacent layers; a future commercial conversation with Honeycoin on liquidity provision for the SSB corridor is foreseeable.

4.2 VALR — Crypto-as-a-Service for African Institutions

VALR is South Africa's largest crypto exchange by traded volume and has built out a **Crypto-as-a-Service (CaaS)** platform that allows African banks, fintechs and brokers to embed regulated crypto trading, custody, and on/off-ramp into their own products without operating their own exchange or building their own custody [12, 13]. VALR holds FSCA registration in South Africa and has built out the operational compliance posture required to operate at institutional scale.

What VALR proves. Two things:

1. There is an institutional appetite, across African banks and fintechs, to offer digital-asset products without taking on the operational and regulatory burden of running an exchange themselves.
2. Regulators (notably the FSCA) are prepared to accommodate institutional crypto services where the licensed counterparty carries the operational compliance load.

Where Lux+SSB differs and complements. VALR's CaaS is the right shape for a *conventional* (non-Shariah) crypto product. The Lux+SSB construction adds two layers VALR does not offer: (a) **Shariah-compliance by construction**—no riba-bearing instruments, no margin trading, no perpetuals, no short-selling, AAOIFI- mapped contracts only; and (b) **banking-grade content-addressed audit** of the Shariah-contract lifecycle. The two are complementary; in West and South

Africa, where the customer base is more religiously diverse, a partnership where VALR provides the conventional crypto sleeve and Lux+SSB provides the Shariah sleeve is straightforward to architect.

4.3 Competitive Position Summary

	Honeycoin	VALR CaaS	Lux + SSB
Primary role	Stablecoin remittance rail	Crypto-as-a-Service for institutions	Shariah-native bank augmentation
Settlement asset	USDT (primary); other stablecoins	BTC, ETH, stablecoins	Stablecoins for rail; on-chain Shariah contract state for product
Counterparty type	End-consumer + business	Licensed African banks and fintechs	Licensed African banks (Shariah-windowed)
Shariah posture	Not Shariah-positioned	Not Shariah-positioned	Shariah-native (AAOIFI-aligned)
Regulatory anchor	Local payment licences in each market	FSCA (South Africa) + onward institutional cover	CBS (Somalia) + SF Private Bank (US/CA)
Daily settled volume (illustrative)	USD ∼30M/day	Institutional, not disclosed	Greenfield — target USD 5–10M/day Y1, USD 30–50M/day Y2–3

Why three players can coexist. The African cross-border flow is on the order of USD 100 billion per year of inbound remittance alone, with another USD 50–80 billion of intra-African trade-finance and corporate flow underbanked relative to its volume. The market is not zero-sum. Each construction occupies a different layer: rail (Honeycoin), service for conventional institutions (VALR), service for Shariah-licensed institutions (Lux+SSB).

5 Augmentation Workstreams

5.1 Workstream 1 — Shariah-Native Onboarding

5.1.1 Problem

SSB's account-opening process today depends on in-branch CDD performed by tellers using paper forms and locally stored documentary evidence. This is robust for in-country retail but imposes friction on the diaspora, on corporate counterparties subject to global sanctions screening, and on correspondent banks performing KYCC ("know your customer's customer") diligence on SSB's customer base.

5.1.2 Augmentation

Simplici.io is integrated as a back-end identity, sanctions, PEP, and adverse-media engine, white-labelled into the SSB mobile and web experiences. Specific Shariah-adapted features include:

- Onboarding flows for diaspora customers in twelve diaspora languages, with biometric document verification against passport, Mogadishu national-ID, and host-country IDs.
- Capture of *tazkiyah* attestations (community-trust references) as structured, verifiable claims, complementing rather than replacing the existing documentary CDD.
- Source-of-funds questionnaires re-tooled to capture Shariah-permissible income categories cleanly and to flag riba-bearing income for customer consultation with SSB's Shariah board.
- Automated SWIFT-counterparty diligence (KYCC) so that SSB's correspondent banks can rely on a verifiable, content-addressed chain of evidence rather than ad-hoc PDF exchanges.
- Audit trails written to the Lux Network with cryptographic commitments, retained for the durations required under CBS AML/CTF rules and the FATF 40 Recommendations.

5.2 Workstream 2 — Shariah-Compliant On-Chain Contracts

5.2.1 Problem

SSB's Murabahah, Mudharabah, Musharakah and Ijaarah contracts are documented today on paper, with ledger entries maintained in the core banking system. This is sound for in-country use but offers limited auditability for diaspora investors, for correspondents, for co-investors in Musharakah ventures, and for the regulator.

5.2.2 Augmentation

The Lux Network is used as a content-addressed contract registry. Each contract is represented as a typed object with invariants that mirror AAOIFI standards [9]; the full mapping is set out in Section 7.

5.2.3 Diaspora Investability

A subset of Mudharabah and Musharakah products is made available to qualifying diaspora investors through SF Private Bank's broker-dealer and ATS infrastructure, with subscription documents written under US Regulation D Rule 506(c) or Regulation S, the relevant securities exemptions of the host country, and a parallel Shariah opinion.

5.3 Workstream 3 — Diaspora Corridor (SF Private Pay)

5.3.1 Problem

The Somali diaspora corridor today is split between (a) cash-based hawala MTOs, which are fast and culturally trusted but offer limited regulatory transparency, and (b) bank-rail remittances, which are costlier and slower, with the well-documented de-risking gap reducing correspondent options for Somali receiving institutions [7].

5.3.2 Augmentation

SF Private Pay is deployed as a regulated diaspora-side surface in the host countries:

- **Cash-in** via the Zeekash agent network (zeekash.com) in the United States, Canada, the United Kingdom and selected European Union markets, with agent KYC performed under SF Private Bank's FinCEN MSB and state money-transmitter licenses.

- **ATM** cash-in and cash-out via the MyATMen network (myatmen.com).
- **Card** issuance for diaspora customers maintaining balances on the SF Private Pay surface.
- **Bank rails** via ACH, wire and FedNow in the United States; SEPA, Faster Payments, BACS and CHAPS in Europe.
- **Settlement to Africa** via stablecoin on Lux Network as a recorded, content-addressed transfer to SSB's omnibus account, with end-customer disbursement performed by SSB through its existing branch and mobile network. Liquidity may be sourced from incumbents such as Honeycoin under separate commercial terms where useful for corridor depth.

5.4 Workstream 4 — Drought-Linked Parametric Livelihood Cover

5.4.1 Problem

SSB's existing engagement with 140,000 drought-affected community members [4] provides insurance and savings products. The operational challenge is the rapid disbursement of indemnity claims during the early stages of a drought, before pastoralist herd losses compound into full livelihood failure.

5.4.2 Augmentation

A Takaful-structured parametric layer is implemented:

- **Trigger** — composite of rainfall (CHIRPS satellite rainfall index), NDVI vegetation health (MODIS), and SST proxy (NOAA), measured at the woreda (district) level.
- **Settlement** — automatic stablecoin disbursement to the customer's SSB-linked wallet on trigger breach, recorded on the Lux Network. Disbursement converts to Somali Shillings or US Dollars in branch on customer instruction.
- **Risk pooling** — pool capital is provided through a Takaful (mutual) structure with SSB as the operator; reinsurance capacity is sourced from international reinsurers under Shariah-compliant treaty terms.
- **Governance** — the Shariah Supervisory Board of SSB approves the trigger structure, pool documentation, and re-investment policy.

5.5 Workstream 5 — Trade Finance Digitisation

5.5.1 Problem

SSB issues Letters of Credit and Letters of Guarantee to support trade through Mogadishu, Berbera, Bosaso and Kismayo. The documentary lifecycle is paper-heavy and slow, with limited interoperability with counterparty banks across the Horn of Africa, the Gulf and East Africa.

5.5.2 Augmentation

LCs and LGs are issued as typed objects on the Lux Network with referenced documentary evidence stored under content-addressed hashes (IPFS or equivalent), with the underlying SWIFT MT 700 family messages generated by SSB and transmitted through SSB's existing SWIFT BIC. The on-chain record is an audit and reconciliation layer; SWIFT remains the authoritative messaging rail. Cross-bank composability is achieved as counterparty banks adopt the same registry.

6 Shariah-to-Lux Primitive Mapping

This section is the technical heart of the proposal. It maps the AAOIFI standards (the authoritative Shariah-finance specification, in force across the GCC, much of the East African coastal corridor, the West African Sahel via the Islamic Development Bank, and the Maghreb) to typed primitives on the Lux Network. Each contract is represented as an immutable, content-addressed object with an explicit state machine. Every state transition emits a cryptographically signed event that is stored on the Lux Network and is verifiable by any party with the contract identifier.

6.1 Murabahah (Cost-Plus Sale Finance)

Shariah substance. The bank acquires a specified asset, takes beneficial ownership (*qabd haqiqi* or *qabd hukmi*), and sells it onward to the customer at a cost-plus mark-up (*ribh*), typically on deferred payment terms. The mark-up is fixed at execution and immutable; late payment must not generate compounding penalty income to the bank [9].

Lux primitive.

```
struct Murabahah {
  contract_id:        CID;
  bank:               EntityId;
  customer:           EntityId;
  asset:              AssetDescriptor;        // specific, identifiable
  cost_price:         FixedDecimal;           // immutable
  markup:             FixedDecimal;           // immutable
  total_price:        FixedDecimal;           // cost + markup
  schedule:           PaymentSchedule;        // deferred, fixed
  late_payment_policy: CharityDirection;     // late fees go to charity,
                                              // not bank income
  state:              {Proposed, BankOwned,
                       CustomerOwned, Performing,
                       Settled, Defaulted};
}
```

The invariant "markup is immutable post-execution" is enforced at the protocol layer; any attempted mutation is rejected. Any late-fee income is routed to a charity address designated by the SSB Shariah board, ensuring no riba accrues to the bank.

6.2 Mudharabah (Profit-Sharing Investment Partnership)

Shariah substance. The *rabb-ul-mal* supplies capital; the *mudarib* supplies effort. Profits are shared in a pre-agreed ratio; losses are borne entirely by the rabb-ul-mal unless caused by mudarib misconduct or negligence. The investment is for a defined purpose [9].

Lux primitive.

```
struct Mudharabah {
  contract_id:        CID;
  rabb_ul_mal:        EntityId;       // capital provider
  mudarib:            EntityId;       // entrepreneur
  capital:            AmountInAsset;  // immutable
  profit_split:       Ratio;          // (rabb_ul_mal_share : mudarib_share)
  purpose:            BusinessPurpose;
  reporting_cadence:  Duration;       // mudarib reports profit periodically
  state:              {Subscribed, Invested,
                       Performing, Maturing, Settled,
                       Loss_RabbBornes, Loss_MudaribFault};
}
```

Diaspora investors may subscribe to a Mudharabah pool as rabb-ul-mal via SF Private Bank's broker-dealer, with the Mudharabah contract registered on Lux Network and the underlying business performance recorded by SSB acting as mudarib.

6.3 Musharakah (Joint-Venture Equity Participation)

Shariah substance. Two or more parties contribute capital to a joint venture; profits are shared in pre-agreed ratios; losses are borne pro-rata to capital contribution. Partner consent is required for transfers; one partner may not unilaterally bind the others [9].

Lux primitive.

```
struct Musharakah {
  contract_id:        CID;
  partners:           [(EntityId, AmountInAsset, ProfitShareRatio)];
  loss_allocation:    ProRataToCapital;
  governance:         {Unanimous, Supermajority, Pre-agreed};
  state:              {Forming, Capitalised, Operating,
                       Diminishing, Dissolved};
}
```

A diminishing Musharakah (*Musharakah Mutanaqisah*, widely used for home finance) is represented as the same struct with a periodic buy-out schedule under which one partner's share monotonically decreases.

6.4 Ijaarah (Lease)

Shariah substance. The bank acquires an asset and leases the usufruct to the customer. Lease income is permissible; embedded interest accrual is not. The asset's residual ownership at lease end must be unambiguous [9].

Lux primitive.

```
struct Ijaarah {
  contract_id:        CID;
  lessor:             EntityId;            // bank
  lessee:             EntityId;            // customer
```

```
  asset:              AssetDescriptor;
  rental_schedule:    [(Date, Amount)];    // permissible lease income
  residual:           {LessorRetains, LesseeTransfersAtEnd,
                       LesseeOption};
  maintenance_burden: {Lessor, Lessee};    // explicit allocation
  state:              {Initiated, Active, Suspended,
                       MaturedHeld, MaturedTransferred};
}
```

A common variant, *Ijaarah-wa-Iqtina* (lease ending in ownership), is represented with the 'Lessee-TransfersAtEnd' residual flag and a separate sale or gift contract triggered at maturity.

6.5 Sukuk (Islamic Investment Certificates)

Shariah substance. Sukuk represent undivided beneficial ownership in tangible assets, usufructs, services or enterprise. They are not debt; they are equity-like, asset-backed, asset-based, or usufruct-based instruments. The underlying must be Shariah-permissible, and the return to the holder must derive from the underlying asset's economics, not from a fixed-interest payment [9].

Lux primitive.

```
struct Sukuk {
  series_id:          CID;
  issuer:             EntityId;            // SSB, or SSB customer SPV
  underlying:         AssetPool | Ijaarah | Musharakah | Mudharabah;
  certificates:       [HolderId, Units];
  distribution_rule:  fn(UnderlyingState) -> [(HolderId, Amount)];
  maturity:           Date;
  state:              {Subscribed, Issued, Performing, Matured,
                       EarlyRedeemed};
}
```

A diaspora-issued Sukuk is the natural Phase 3 instrument: SSB or one of its corporate customers issues a Sukuk backed by Ijaarah or Musharakah underlying, subscriptions are collected from qualified diaspora investors via SF Private Bank's ATS, and distributions are recorded on Lux Network. Wakalah-Bil-Istithmar wrapping is supported.

6.6 Takaful (Mutual Insurance)

Shariah substance. A pool of participants contribute (*tabarru*) to a mutual fund used to indemnify pool members against defined losses. The operator (*wakeel*) manages the pool for a fee but does not own the pool's underwriting result. Surplus is returned to participants. Conventional reinsurance is replaced by *Retakaful* where possible [9].

Lux primitive.

```
struct Takaful {
  pool_id:            CID;
  participants:       [EntityId];
  contributions:      [(EntityId, Amount, Date)]; // tabarru
```

```
  operator:           EntityId;                     // wakeel
  operator_fee_basis: WakeelFee;
  trigger_logic:      ParametricTrigger | IndemnityClaim;
  payout_rule:        fn(TriggerEvent) -> [(EntityId, Amount)];
  surplus_rule:       fn(PoolState) -> [(EntityId, Amount)];
  state:              {OpenForContrib, Active, ClaimsOpen,
                       Settling, Closed};
}
```

The drought parametric is a Takaful with a `ParametricTrigger` of (CHIRPS rainfall index OR NDVI OR composite) below threshold for a defined window. Payout is automatic.

6.7 Wakalah, Wa'd, Salam, Istisna'

The remaining standard AAOIFI contracts are represented similarly:

- **Wakalah** — agency; a `Wakalah` struct grants a defined power-of-attorney with a defined scope and revocation path. Used as the operator wrap for Takaful and for diaspora investment management.
- **Wa'd** — unilateral promise; useful for FX hedging without forward contracts (which would be conventional derivatives, generally not permissible). Two parallel Wa'd structures can synthesise a hedge in a Shariah-permissible way.
- **Salam** — forward sale of a defined commodity with spot payment, deferred delivery. Useful for agricultural pre-financing in pastoralist communities.
- **Istisna'** — manufacturing / construction contract with milestone payments. Useful for infrastructure finance.

6.8 Cross-Cutting Properties

Audit envelope. Every contract's state and every state transition is wrapped in the standard Lux envelope: AES-256-GCM content-encryption key per record; key-encryption key per SSB-tenant in the Lux KMS HSM; AAD-bound to contract identifier and counterparty identifiers to prevent row-swap attacks.

Shariah-board co-signing. Each contract type is associated with a Fatwa identifier; each instance instantiation requires a co-signature from a member of SSB's Shariah Supervisory Board (or a delegate) registered as an authorised signer on the Lux Network. This makes "Shariah-approved at issuance" an objective, verifiable on-chain property.

Composability without conflation. Sukuk over Ijaarah-over- Asset is composable; the contract types compose without losing typing. The Shariah board can reason about the composite by reasoning about its parts.

7 Commercial Structure

7.1 Principal and Counterparty

The agreement is executed between Lux Industries Inc., a Delaware corporation (the "Principal"), and Salaam Somali Bank (the "Local Partner"), in the template form set out in the Lux Œ Local Partner Strategic Partnership Agreement. Each subsequent Africa-ring co-anchor signs the same template.

7.2 The Fifty/Fifty Above Documented Costs Split

On all Gross Partnership Revenue earned by either Party that is attributable to the combined activity contemplated by the partnership (Simplici.io onboarding, Lux Network registry of Shariah contracts, SF Private Pay corridor, parametric insurance overlay, trade-finance registry, Sukuk subscription revenue), the Parties first deduct Documented Costs and then split Net Partnership Revenue 50 / 50.

7.3 Documented Costs

Documented Costs include only out-of-pocket third-party costs and directly attributable internal costs (clearing, settlement, custody, regulatory transaction fees; market data; per-customer onboarding; payment-rail and ATM-network pass-throughs; per-user Simplici.io subscription). Excluded: general overhead, marketing, salaries of personnel not directly assigned to partnership flow, taxes on income, cost of capital.

7.4 Settlement Mechanics

Lux Industries delivers a monthly statement within fifteen business days of month-end. SSB reciprocates with directly attributable in-country revenue and costs on the same cadence. Statements net; the residual balance is wired within thirty days. Audit twice per calendar year, on thirty days' notice, at the auditing party's expense (or at the audited party's expense if the audit reveals a more-than-5 % underpayment).

7.5 Customer Markups

SSB retains 100 % of any customer-facing markup it elects to charge its customers, separate and apart from the partnership's 50 / 50 split, consistent with its regulated pricing autonomy as a CBS-licensed bank. The same retention right applies to each Africa-ring co-anchor.

8 Compliance and Sovereignty Posture

8.1 Allocation of Regulated Functions

Function	Performed by
On-shore account opening, branch operations, ATM operations, in-country mobile and online banking, Letters of Credit, Letters of Guarantee	Salaam Somali Bank, under licence from CBS
Shariah opinions on every product launched under the partnership	SSB's existing Shariah Supervisory Board
On-shore AML/CTF, suspicious-transaction reporting (Financial Reporting Center, Somalia), CBS prudential reporting	Salaam Somali Bank
Diaspora-side money transmission, agent supervision, OFAC screening, US/CA SAR filings	SF Private Bank (US, CA), under its FinCEN/state and FINTRAC licences
US securities-side functions for any Reg D 506(c) or Reg S Mudharabah / Musharakah / Sukuk subscriptions to diaspora investors	SF Private Bank's BD, ATS and TA registrations
Identity, KYC engine, on-chain audit substrate, settlement primitives	Lux Industries Inc.

8.2 De-Risking Mitigation

A material commercial driver of the partnership is the correspondent banking gap created by de-risking. Content-addressed, counterparty- auditable evidence of every onboarding, every sanctions check, every transfer, and every SAR-relevant event materially improves SSB's correspondent banking addressable surface [7, 5].

8.3 Data Sovereignty

Customer personal data of Somali residents is stored in-country in SSB's existing core banking environment. Lux Network records contain identifiers and content-addressed hashes of supporting evidence, not the underlying personal data itself.

8.4 Shariah Governance

No product, no smart contract, no Takaful pool and no diaspora investment offering is launched without a written Fatwa from SSB's Shariah Supervisory Board, attached to the relevant Schedule of the partnership agreement and to the underlying customer documentation. Where the diaspora-side offering is also subject to a host-country Shariah board (e.g. AAOIFI alignment in the GCC, MUI-affiliated boards in Southeast Asia, Bank Al-Maghrib's Higher Council of Ulema in Morocco), parallel opinions are obtained.

9 Implementation Roadmap

9.1 Phase 0 — Joint Diligence (Months 0–2)

- Execution of mutual confidentiality agreement.
- Shariah Supervisory Board kick-off; preliminary opinion on on-chain Murabahah and Mudharabah representations.
- CBS no-objection on the architectural approach and the diaspora-corridor settlement model.
- Technical integration spike between Simplici.io and SSB's core banking system.

9.2 Phase 1 — Foundation (Months 2–6)

- Simplici.io deployed for new-customer onboarding across two flagship Mogadishu branches and the diaspora-app surface.
- SF Private Pay corridor opened in two host markets (United States and United Kingdom).
- Lux Network registry of Murabahah contracts live for a single product line.
- First parametric drought pilot in a single woreda with a capped reinsurance treaty.

9.3 Phase 2 — Expansion (Months 6–12)

- Roll-out to all 55+ branches and full diaspora-app footprint.
- Mudharabah and Musharakah on-chain registries.
- SF Private Pay corridor expanded to United Arab Emirates, Canada, Sweden, the Netherlands, Norway, Kenya.
- Reg D 506(c) and Reg S Mudharabah / Musharakah subscriptions offered to qualified diaspora investors.
- Trade-finance LC/LG registry pilot with selected counterparty banks in the Horn of Africa and the Gulf.

9.4 Phase 3 — Scale (Year 2)

- National parametric livelihood programme with multi-district coverage.
- Cross-bank LC/LG composability across the Horn of Africa.
- Diaspora-issued Sukuk facility for SSB or its borrower customers, structured as Wakalah-Bil-Istithmar and listed on a SF Private Bank ATS.
- First Ring 1 co-anchor (East African coastal) signed under the same template.

9.5 Phase 4 — Pan-African (Years 2–4)

- Co-anchors in West African Sahel, Maghreb and Sahelian / Sub-Saharan extension rings.
- Shariah-native interbank net settlement across co-anchors, with Lux Network as the joint registry.

- Where useful, liquidity partnerships with incumbents such as Honeycoin for corridor depth; VALR for non-Shariah crypto sleeve where co-anchors operate dual-window products.

10 Risks and Mitigations

Risk	Mitigation
Regulatory. CBS or a ring co-anchor's regulator could view diaspora-side integration as extra-jurisdictional reach.	Diaspora-side functions are explicitly performed by SF Private Bank under US/CA licences. On-shore activity remains within each anchor bank's licensed perimeter. Regulator no-objection sought in Phase 0 of each ring.
Shariah. On-chain instruments could be re-characterised as riba-bearing if mark-ups are presented as floating, or if late-fee income accrues to the bank.	All Murabahah mark-ups are fixed at execution and immutable on-chain. Late-fee revenue is routed to a charity address designated by the SSB SSB. Every product subject to written Fatwa. AAOIFI standards are the reference framework.
De-risking persistence. Correspondent banks may still decline anchor-bank exposure even with improved evidence.	Programme designed for incremental opening, not big-bang reliance on correspondent access. SF Private Bank is a regulated US/CA-side counterparty in its own right, reducing reliance on incremental correspondents.
Stablecoin counterparty. Reliance on USDT introduces issuer risk.	Multi-stablecoin support (USDT, USDC, plus Shariah-board-approved alternatives as they mature); per-corridor exposure caps; daily attestation review. The Lux Network is asset-agnostic; the stablecoin choice is a parameter, not a hard-coded dependency.
Concentration. Each anchor's reliance on a single technology counterparty (Lux Industries) creates dependency risk.	Source code in escrow; Lux Network operates as an open protocol; each anchor retains the ability to operate its registry under an independent node without Lux Industries' continued involvement.
Parametric basis risk. Index triggers may fire without herd loss, or vice versa.	Parametric layer is supplementary; existing indemnity insurance remains in force for non-parametric losses. Triggers are conservative, with floor and cap.
FX volatility. Settlement on stablecoin layered on volatile local currency.	Anchor bank holds local-FX conversion. Customers transact in their preferred currency. The on-chain primitive is stablecoin, isolated from local FX volatility on the rail itself.

11 Why a True 50/50 Partnership

The conventional fintech-partnership model gives the technology vendor a fixed per-seat or per-transaction fee and treats the licensed institution as a distribution channel. This is misaligned. The licensed institution carries the customer relationship, the regulatory perimeter, the Shariah opinion, the deposit base, the country risk, the operational footprint and the brand. The technology vendor brings the rails, the identity, the auditability and the diaspora-side regulated counterparty. Both contributions are necessary; neither is sufficient; the upside should accrue symmetrically.

A true 50 / 50 split of Net Partnership Revenue above Documented Costs has three properties that the alternative does not:

1. It aligns the technology vendor's incentives with the bank's customer outcomes, not with seat-count or transaction-count metrics that decouple from customer value.
2. It exposes the technology vendor's documented costs to audit by the bank, eliminating the opacity that has characterised most large core-banking and SaaS relationships.
3. It allows each anchor bank, in jurisdictions where regulatory caps on ancillary income exist (as is increasingly common across African central banks), to demonstrate to its regulator that the partnership is a substantive joint venture and not an agency arrangement that warrants pass-through accounting.

12 The Diaspora Frame

The Somali diaspora is one of the most globally distributed and most remittance-dependent diasporas in the world. The broader African Muslim diaspora is the second-largest religiously cohesive diaspora globally after the South Asian Muslim diaspora. Its scale, its linguistic and religious cohesion, and its existing reliance on informal hawala rails make it the natural first deployment ground for a regulated, Shariah-compliant, identity-bearing rail that treats the sender and the receiver as a single customer.

The broader proposition of the Lux Network is that the world's historically displaced and diasporic communities—African, Indigenous, Persian, South Asian, East Asian, Latin American—can be joined on an open, jurisdiction-neutral substrate without sacrificing the sovereignty, regulatory perimeter, or brand of the local institutions that serve them. SSB is the first such institution because it has built the most credible commercial bank in one of the most under-banked and most diaspora-dependent economies on earth.

13 Next Steps

The proposed sequence is:

1. Mutual confidentiality agreement (*five business days*).
2. Term sheet under the Lux Œ Local Partner template, signed by SSB and Lux Industries (*ten business days*).
3. Joint diligence and Shariah-board briefing (*eight weeks*).
4. CBS no-objection request and Phase 1 kickoff (*twelve weeks*).
5. Phase 1 production launch (*months four to six*).
6. Concurrent Ring 1 co-anchor scoping (*months six to twelve*).

The authors are available on the contact above for diligence questions, Shariah-board engagement, CBS briefings, and joint scoping of host-country regulatory engagement (FinCEN, FINTRAC, FCA, DNB, FSA, FSCA, CBN, BCEAO, Bank Al-Maghrib).

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