



THE SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)

SASRA Circular No. 14 of 2011

Date: 9th May, 2011

To:

Chairmen of SACCO Societies Operating FOSA

Dear Sir/Madam,

RE: APPROVAL OF AGENCY BANKING BY THE AUTHORITY

We draw the attention of all deposit taking Sacco societies to the provisions of regulation 17 of the Sacco societies (deposit taking Sacco business) Regulations, 2010. This regulation stipulates that:

1. A Sacco Society shall not open or operate an agency outlet without prior written approval of the Authority.
2. An application for approval to open an agency or outlet shall be accompanied by
a) duly executed copy of the Agency agreement between the parties concerned;
and b) the security features and space available for carrying out the deposit - taking Sacco business.
3. If the Authority is satisfied that the applicant fulfils all the requirements, it shall grant an approval for operating an agency or outlet.
4. A Sacco Society shall not be made an agent of any entity without prior written approval of the Authority.

Regulations 17(1-3) refers to a situation where the Sacco society is contracting another party to act on its behalf in transacting Sacco business.

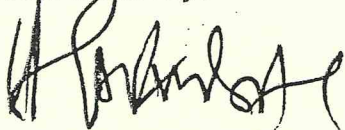
However, regulation 17(4) applies to a Sacco society being contracted by a bank to act as a bank agent and thus serve bank customers. In this case, the Sacco society will require prior written approval from the Authority. This is consistent with guideline number 4.2.5 of the Central Bank of Kenya (CBK) Agency Banking Guidelines which stipulates that "Any entity which is subject to any regulatory authority under any written

law or is a public entity, shall obtain the consent of the Regulatory Authority or the appropriate oversight body or authority prior to being appointed an agent."

The Authority has made available on its website an *approval application form* for use by a Sacco society intending to act as a bank agent. In approving the application, the Authority will have to be satisfied that the Sacco has evaluated and documented the costs, benefits and risks of the agency banking business. This requires good understanding of the Guidelines on Agency Banking issued by the CBK including the rights and obligations of both parties for the smooth conduct of the agency banking business without jeopardizing the growth of the Sacco business.

The Authority is available to advice on specific issues that a Sacco society may require guidance before entering into agency banking contracts:

Yours faithfully,



Carilus Ademba, HSC

CHIEF EXECUTIVE OFFICER

CC: Commissioner for Cooperative Development
Managing Director, KUSCCO Limited
Managing Director, KERUSSU Limited