

**BY LAWS**

**OF**

-----

**SAVINGS AND CREDIT**

**COOPERATIVE SOCIETY LIMITED**

**CS/ NO .....**

**Prepared by:**

**KERUSSU**



**KUSCCO**



**MoCD&M**



**SASRA**



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## **1. NAME AND AREA OF OPERATION**

1.1 The society shall be called.....  
Savings and Credit Co-operative Society Limited, herein after referred to in these by laws as "The Sacco society" and its area of operation shall.....

## **2. REGISTERED OFFICE/ POSTAL ADDRESS**

2.1 The registered office of the Sacco society shall be at ..... and the postal address shall be.....

2.2 Notice of any change of postal address shall be given to the Commissioner for Co-operative Development, herein after referred to as 'The Commissioner', the Sacco Societies Regulatory Authority (SASRA), herein after referred to as "the Authority" and to all members of the Sacco society through their last known address as per records held at the Sacco society within 30 days of such change.

## **3. OPENING AND RELOCATION OF SACCO SOCIETY'S BRANCH**

3.1 The Sacco Society shall seek a written approval from the Authority to open a new branch or relocate a branch

## **4. INTERPRETATIONS AND DEFINITIONS**

4.1 In these by-laws, unless the context otherwise suggests words or phrases shall be interpreted in accordance with the Sacco Societies Act, 2008 and Regulations herein after referred to as the "Act" and "Regulations" respectively, the Co-operative Societies Act Cap 490 Laws of Kenya and the Rules made there under herein after referred to as the "Co-operative Act" and "Rules" respectively.

4.2 In these by-laws where the masculine gender is referred to, it will be construed to include the feminine gender.

4.3 In these by-laws save as otherwise expressly stated:

(i) Audit Committee- Committee of the Board established as per the Regulations

(ii) "Authority" shall mean the Sacco Societies Regulatory Authority

(iii) "A nominee" means a person appointed by the member to inherit the shares, deposits and other interests in the society upon the death of that member.

- (iv) "Applicable Law" shall mean any other relevant law other than the Sacco Societies Act, 2008 and the Regulations, Co-operative Societies Act cap 490, Rules, and these by-laws.
- (v) "Board of Directors" shall refer to the persons elected in a duly convened General Meeting to govern the Business of the Sacco society as per these by-laws hereinafter referred to as the "board".
- (vi) "Commissioner" shall mean "the Commissioner for Co-operative Development as provided for in the Co-operative Act."
- (vii) "Core Capital" shall mean fully paid up members' shares, capital issued, disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the Sacco society
- (viii) "Dividend" shall mean members share of the surplus of the Sacco society which is divided amongst its members based on shareholding.
- (ix) "Deposit" means a sum of money received or paid on terms under which it shall be repaid with or without interest or premium and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it
- (x) "General Meeting" shall be a meeting (either "annual" or "special") for all members duly convened by the Sacco society to conduct its business.
- (xi) "Member" includes a person or a co-operative society joining in the application for the registration of a Sacco society, and a person or co-operative society admitted to membership after registration in accordance with the by-laws.
- (xii) "Returning officer" is a person appointed to oversee or conduct the elections of a co-operative society at a general meeting.
- (xiii) "SACCO Society" means a savings and credit co-operative society registered under the Co-operative Act and licensed under the Sacco Societies Act, 2008.
- (xiv) "Share Capital" shall mean members' equity in the form of issued and fully paid up shares of common stock

(xv) "Tribunal" shall mean the Co-operative Tribunal established under the Co-operative Act to hear and determine disputes.

4.4 Any questions concerning interpretation of these by-laws or any matters not provided for therein, errors and omissions shall be referred to the Authority or Commissioner as is applicable.

## **5. OBJECTS**

5.1 The objects for which the Sacco society is established are to organize and promote the quality of life of the members by providing quality financial products and services.

5.2 In particular, the Sacco society shall undertake:

(i) To promote thrift among its members by affording them an opportunity for accumulating their savings and deposits and providing them with credit exclusively for provident and productive purposes, at fair and reasonable rate of interest; thereby enabling them to use and control their money for their mutual benefit.

(ii) To ensure personal growth through the introduction of new products and services that will promote the economic base of the members.

(iii) To ensure progress of members and Sacco society through continuous education programs on savings and proper use of credit, reduction of poverty, human dignity and co-operation.

(iv) To apply the co-operative principle of co-operation among co-operatives in order to promote members' interests. In furtherance to its objects, the society may affiliate to the relevant National Co-operative Union and the Apex society.

5.3 For the attainment of the above objects, the Sacco society may do acts and things that are permissible under the Act and Regulations, Co-operative Act and Rules and these By-laws and all such other things as are incidental or consequential to the economic enhancement of its members interests provided such act is approved by the members in a general meeting.

## 6. CO-OPERATIVE PRINCIPLES AND VALUES

In order to achieve its objects the Sacco society shall act in accordance with the following Co-operative principles and relevant values.

### 6.1 PRINCIPLES

- (i) ***Voluntary and open membership***  
The society shall always be guided by the principle of voluntary and open membership in its member recruitment drive without political, ethnic, religious, gender or social discrimination.
- (ii) ***Democratic member control***  
The society will be fully controlled by members who will have equal voting rights on the basis of one member one vote.
- (iii) ***Economic participation by member***  
Members shall contribute equitably to the capital of the society and share in the results of its operations.
- (iv) ***Autonomy and independence***  
The society shall operate on mutually acceptable terms with its stakeholders who will ensure its autonomy and independence.
- (v) ***Education, training and information***  
The society shall foster reciprocal, on-going education programmes for members, leaders, staff and the community so that they can teach and learn from each other or from the appropriate resource persons in understanding and carrying out their respective roles.
- (vi) ***Co-operation among co-operatives***  
In order to better serve the interests of the members and the community, the society shall actively co-operate with other co-operatives locally, regionally, nationally and internationally.
- (vii) ***Concern for community in General***  
The society shall show concern to the community in which it exists and operates.

### 6.2 VALUES

The values shall include self-help, mutual responsibility, equality and equity. It shall practice honesty, openness and social responsibility in all its activities.

## **7. MEMBERSHIP**

Membership shall consist of:-

- (i) Original members who signed the application for registration.
- (ii) New members subsequently admitted in accordance with these by-laws.

## **8. QUALIFICATION FOR MEMBERSHIP**

8.1 A person who possesses the following qualifications shall be eligible for membership:-

- (i) Is within the field of membership consisting of the following.....
- (ii) Has attained the age of 18 years.
- (iii) Is of good character and sound mind
- (iv) Pays the entrance fee and share capital as prescribed in these by-laws.

8.2 Provided that no member shall belong to more than one Sacco society serving similar purpose.

## **9. APPLICATION FOR MEMBERSHIP**

9.1 Every applicant for membership shall complete an "application for membership" form. This form shall be drawn to show all the information required for the purpose of registration of a member.

## **10. ADMISSION INTO MEMBERSHIP**

10.1 An applicant shall be admitted to membership on application upon payment of an entrance fee of Kshs..... and purchase of minimum shares as shall be fixed by the General meeting from time to time.

10.2 Upon admission the member's name shall be entered in the membership register and a membership number issued.

10.3 Members shall be admitted by the board subject to Confirmation by the next general meeting.

10.4 The member shall pay for a copy of the society's by-laws at its actual cost to the society.



## **11. REFUSAL OF ADMISSION**

11.1 The board may refuse admission to a person after assigning reasons for their decision. Such a person, if otherwise eligible for membership, shall have the right to appeal to the next General Meeting.

## **12. RIGHTS OF MEMBERS.**

12.1 A member of the Sacco society shall have the right to:-

- (i) Attend and participate in decision making at all general meetings of the Sacco society and vote;
- (ii) Be elected to organs of the Sacco society, subject to these by-laws;
- (iii) Enjoy the use of all the facilities and services of the Sacco society subject to the Sacco society's by-laws;
- (iv) All legitimate information relating to the Sacco society, including, internal regulations, registers, Minutes of general meetings and supervisory committees reports, annual accounts and inventories at the Sacco society's registered office.

## **13. OBLIGATIONS OF MEMBERS**

13.1 A member of the Sacco society shall have the obligation to:-

- (i) Observe and comply with all the Sacco society's by-laws and decisions taken by the relevant organs of the Sacco society;
- (ii) Buy and pay up for shares or make any other regular payments provided for in these By-laws;
- (iii) Meet the debts of the Sacco society in case of insolvency in accordance with the provisions of the Co-operative Act and these by-laws.

## **14. MEMBER'S PERSONAL STATEMENT**

14.1 Every member shall receive regular statements at least once every six months, which shall contain particulars of membership, shares, deposits and loan transactions with the Sacco society.

## **15. TERMINATION OF MEMBERSHIP**

15.1 Membership in the Sacco society shall cease with effect from the date of:

- (i) Death
- (ii) Withdrawal
- (iii) Expulsion
- (iv) Being certified insane.
- (v) Transferring all shares to another member.

- (vi) Failure to remit regular savings and loan repayments for a continuous period of six months without valid reasons or leave of the Sacco society.
- (vii) Ceasing to hold qualification for membership as specified in these by-laws.

## **16. SUSPENSION AND EXPULSION**

- 16.1 The board may suspend a member, subject to the decision of the general meeting to expel, who
- (i) fails to fulfill his/her obligations to the Sacco society whether stated in these by-laws, general internal regulations, a resolution of the general meeting or in contravention of any other legal document, provided such a member has been called upon to do so but has failed,
  - (ii) Is convicted in a court of law for a criminal offence involving dishonesty or fraud or is, imprisoned for a period of three months or more,
  - (iii) Is a member of another Sacco society serving similar purpose,
  - (iv) Acts in any manner prejudicial to the interests of the Sacco society.
- 16.2 Provided that, no member shall remain in suspension for a period of more than 12 months.

## **17. PROCEDURE OF SUSPENSION AND EXPULSION**

- 17.1 Upon formal and written proof that a member has committed a violation punishable by expulsion, the board shall serve a thirty (30) days written notice to the member stating the reason(s) for the proposed expulsion and requiring him/her to file a defense.
- 17.2 Upon the expiry of the 30 days and taking into consideration the member's defense if any, the board shall initiate administrative inquiry and make a decision on its findings within 15 days. The Board may;-
- a) Suspend the member pending expulsion by the General Meeting or
  - b) Impose any other punishment as provided for in the applicable law.
- 17.3 The suspended member may appeal to the supervisory committee if not satisfied with the decision of the Board
- 17.4 Where a suspended member does not prefer an appeal to the supervisory committee, the board shall present the case to the next

General meeting which may either lift the suspension or expel the member.

17.5 The Supervisory Committee shall present their findings to the next General meeting which may either lift the suspension or expel the member.

17.6 A member who is expelled from the Sacco society shall have the right to appeal to the tribunal.

## **18. WITHDRAWAL FROM SACCO SOCIETY**

18.1 A member may at anytime withdraw from the Sacco society by giving at least sixty (60) days written notice to the board.

18.2 Partial withdrawal of non-withdrawable deposits from the Sacco society shall not be allowed under any circumstance .

## **19. PAYMENT ON CESSATION OF MEMBERSHIP**

19.1 On cessation of membership, a person shall be paid the following less any outstanding obligations;-

(i) The deposits (both withdrawable and non-withdrawable).

(ii) Any dividends and interests due prior to the cessation date.

(iii) Any other funds other than shares held by the Sacco society on his/her behalf.

## **20. NOMINEE**

20.1 Every member shall nominate in writing one or more persons as nominee(s). The nomination shall be attested to by at least two witnesses who are members of the Sacco society.

20.2 The names of such nominee(s) shall be entered in the nominee register.

20.3 Provided that a member shall have the right to change his/her nominee(s) in writing in the presence of at least two attesting witnesses who are members of the Sacco society.

## **21. PAYMENT TO NOMINEE**

21.1 The Sacco society after obtaining such documentary proof of the death of a member as it may consider necessary, shall pay to the nominee the value of the deceased member's deposits, interest and dividend after deducting monies owed to the Sacco society, if any.

## **22. ADMISSION OF NOMINEE**

22.1 A nominee may be admitted to membership of the Sacco society if qualified. The shares, deposits, interest and dividends due to the deceased member shall be transferred to the account of that nominee.

## **23. FUNDS OF THE SACCO SOCIETY**

23.1 The funds of the Sacco Society shall consist of:

### **Core Capital**

- (i) Paid up members shares
- (ii) Retained Earnings
- (iii) Disclosed Reserves
- (iv) Grants and Donations

### **Income**

- (i) Interest, fees and charges, penalties, and commissions
- (ii) Entrance fee
- (iii) Any donations, grants or gifts from other bodies, organizations or individuals
- (iv) Funds obtained from other lawful miscellaneous sources

**a) Liabilities**, which include deposits from members and borrowings from other sources as may be prescribed by the Authority.

**b)** Funds obtained from lawful miscellaneous sources.

### **23.2 Capital Adequacy**

The Sacco Society shall at all times maintain:-

- (i) Core Capital of not less than 10million shillings
- (ii) Core capital of not less than 10% of total assets
- (iii) Core capital of not less than 8% of total deposits
- (iv) Institutional capital of not less than 8% of total assets

23.3 The funds of the Sacco society shall only be applied for the promotion of the stated objects of the Sacco society as set forth in these by laws, and shall be invested in:

- (i) Securities issued or guaranteed by the government or any agency of the government.
- (ii) Deposits obligations or other accounts of deposit taking institutions under the banking Act
- (iii) Shares, stocks, deposits in, loans to or other obligations to any Sacco Society or Co-operative Society.
- (iv) Loans to members.
- (v) Properties and Equipment for purposes of Sacco business

23.4 Investments under 23.3 above shall not in the aggregate, exceed such proportion of total assets, core capital and deposits of the Sacco Society as prescribed in the Regulations.

## **24. SHARES**

24.1 Every member shall hold at least ..... shares of Kshs..... each as shall be fixed by the General Meeting. However, no member shall hold more than one-fifth of the total shares of the Sacco Society.

## **25. TRANSFER OF SHARES.**

25.1 With the approval of the board, a member may at any time transfer shares to another member but not to any other person. Such transfers must be in writing and at nominal value.

25.2 All transfers of shares shall be registered with the Sacco society and no transfer shall be valid unless so registered. A fee of Kshs..... shall be payable by the transferee for each such transfer.

## **26. LIABILITY**

26.1 The liability of a member shall be limited to the nominal value of the shares held by him.

26.2 In the event of liquidation, where available funds are insufficient to pay the full nominal value of the shares held by members; the funds shall be distributed pro-rata among the shareholders according to the amount of shares held by each.

26.3 In addition to (26.2) above members shall be compensated by the Deposit Guarantee Fund as provided in the Regulations.

## **27. POWER TO BORROW**

27.1 Loans may be obtained from non-members subject to the maximum amount and terms approved by the General Meeting provided the total external borrowing by the Sacco Society does not exceed the limit prescribed in the Regulations.

27.2 For the securing of any loans accepted by the Sacco Society under 27(1) the Sacco society may grant a charge over its assets. The authority to grant a charge shall be reserved to the General Meeting.

27.3 The rate of interest on loans shall not exceed the current market rate.

## **28. RECEIPTING OF MONEY**

28.1 Money received on account of shares, deposits, Loans, interest's fees or fines shall be recorded and evidenced as provided in the approved policies and procedures manuals.

## **29. PAYMENT AND DISBURSEMENT**

29.1 Payments made by the Sacco society shall be recorded and evidenced as provided for in the approved policy and procedure manual.

## **30. GENERAL MEETING**

30.1 The supreme authority of the Sacco society shall be vested in the General Meeting of members.

30.2 An Annual General Meeting shall be convened within four months after the end of the Sacco society's financial year.

30.3 A special general meeting of the Sacco society may be held when convened by the:-

- (i) Board.
- (ii) Commissioner.
- (iii) Board within 15 days of receipt of a
- (iv) written request by at least ..... members or one fourth of the members, whichever is less.

30.4 Provided the request is deposited by registered mail at the Sacco society's address or delivered to the Chief Executive Officer at the Sacco society's offices within normal working hours.

30.5 Members in (30.1) above, if the Committee fails to convene a meeting within fifteen days of receiving notice under the Co-operative Act. The members shall give notice to the other members of the Sacco society, stating the object and reasons for the meeting and the fact that the Committee has failed to convene the meeting.

30.6 Any business not completed at the annual General Meeting, may be taken up at a subsequent special General Meeting of the Sacco society.

### **31. NOTICE OF MEETINGS**

- 31.1 The general meeting shall be convened by giving at least 15 days written notice to the members.
- 31.2 The Honorary Secretary shall take all usual steps to publish the notice of the meeting in public places, on the Sacco society's notice board(s), in local newspapers or news-sheets, including the media or any other mode decided by the members.
- 31.3 All notices shall include a statement of the business to be dealt with.

### **32. QUORUM**

- 32.1 Except when convened by the Commissioner, the presence of at least ..... members or 25% of the total membership, whichever is less, shall constitute a quorum for the conduct of business at the General Meeting. When a quorum is not attained the chairman shall adjourn the meeting and fix a date for another meeting within one month, which shall be advertised as prescribed in these by-laws. If a quorum is again not attained, the chairman shall declare the meeting open with those present one hour after the advertised time of the meeting.

### **33. DUTIES OF GENERAL MEETINGS**

- 33.1 The General Meeting shall have the powers and duties prescribed in the Act, Regulations, Co-operative Act, Rules and these by-laws. It shall:
  - a) Consider and confirm the minutes of the previous General Meeting.
  - b) Consider reports of committees, the Commissioner or his/her representative and the audited accounts on the Sacco society's activities during the past financial year.
  - c) Consider and resolve on the manner in which any available surplus shall be distributed or invested, subject to the Act, Regulations, Co-operative Act and Rules.
  - d) Elect or remove members of the board and the Supervisory Committee, subject to the Act, Regulations and these by-laws.
  - e) Fix the indemnity for the elected committee members and management staff.
  - f) Consider recommendations on expulsion of members and refusal of membership by the Board.
  - g) Fix the maximum liability which the Sacco society may incur in loans and deposits from members and non-members.
  - h) Approve the estimates of income and expenditure for the financial year following the General Meeting.

- i) Fix the honoraria, if any, for officers or employees of the Sacco society.
  - j) Decide on the management structure, including the establishment of branches to facilitate efficient and cost effective delivery of services to members.
  - k) Appoint bankers, auditors and advocates of the Sacco society for the ensuing year.
  - l) Approve affiliation to National Co-operative Organizations for SACCO societies and the Apex society.
  - m) Transact any other business of the Sacco society for which notice has been given to members in the manner prescribed in these by-laws.
- 33.2 All members have a right to attend the General Meeting and participate in its deliberations, however they may be required to identify themselves.

### **34. RECORD OF BUSINESS**

- 34.1 All business discussed or decided at the General Meeting shall be recorded without erasures and corrections in a Minute Book, which within one week of the meeting, shall be signed by the Chairman of the meeting and at least one other committee member who was present at the meeting, to indicate that in their opinion the minutes are a true and complete record of all matters discussed or decided at the meeting.
- 34.2 At the next meeting after approving any alterations or variations which shall be written below the above signatures and not as alterations to the original record, the meeting shall by resolution authorize the chairman to sign and date the final record.

### **35. ELIGIBILITY FOR MEMBERSHIP TO THE BOARD**

- 35.1 No person shall be eligible as a member of Board of Director if he/she;-
- a) has not been a member of the Sacco Society for at least one year prior to the Annual General Meeting.
  - b) has been adversely named by the Commissioner or his/her representative in an inquiry report endorsed by an Annual or Special General Meeting for mismanagement or corrupt practices whilst still a member of the Board of a co-operative society or union in the last ten years, or named in any other national inquiries where he/ she has been shown to be engaging in dishonest activities,
  - c) has been adversely named by the Authority in an inspection report for mismanagement or corrupt practices while still a member of the board of a Sacco society



- d) has been charged of any offence involving dishonesty, a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- e) has been convicted of any offence involving dishonesty or is imprisoned for three months or more with a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- f) Is delinquent on loans with the SACCO for more that 60 days within 2 years prior to elections;
- g) shall not have attained a minimum of "O" Level Certificate of Education or equivalent;
- h) Is undis-charged bankrupt ;
- i) Is under 18 years of age;
- j) Is of unsound mind;
- k) Is a Board member of another existing Sacco society licensed under the Act;
- l) Is an official of or holds a political office at any level
- m) Does not conform to minimum qualification standards in accordance to the applicable law.
- n) Has been removed from public office on disciplinary action.
- o) Has not duly executed the Fit and Proper Test form as provided in the Regulations

## **36. ELECTIONS**

- 36.1 The board shall notify the members of the vacancies arising in both the board and the Supervisory Committee.
- 36.2 There shall be a Nominating Committee constituted as per the Sacco Electoral Policy formulated by the board to vet and clear the prospective candidates for elections.
- 36.3 During elections, the Returning officer shall present duly nominated candidates for the vacant positions. Each candidate must have a proposer and a seconder.
- 36.4 At the elections, members shall decide, by majority vote, the method of voting. The method may be secret ballot or queuing or by show of hands.
- 36.5 No member shall be entitled to vote by proxy.
- 36.6 Irrespective of the number of shares held by him, no member shall have more than one vote.

- 36.7 Within fourteen (14) days of the elections, the Chief Executive Officer shall forward to the Commissioner and the Authority the names and addresses of all persons elected.
- 36.8 A new committee elected at the General Meeting shall not assume office unless they have been cleared by the Authority and satisfied the requirements of the Co-operative Act, Rules and these by-laws as to the indemnity and ethics.

### **37. THE BOARD**

- 37.1 The board shall be the governing body of the Sacco society elected from the general membership and shall consist of .....members who are non executive.
- 37.2 The board shall include the Chairman, Vice chairman, Treasurer and Honorary Secretary all of whom shall be elected by the board from amongst the members of the board.
- 37.3 Members of the board shall hold office for a period of three years provided that, one-third of the board members shall retire every year but will be eligible for re-election.
- 37.4 Where the membership of the board falls below five the committee shall co-opt qualified member(s) into the board until the next General Meeting.

### **38. BOARD MEETINGS**

- 38.1 The board shall meet not more than twelve (12) times in a financial year and not more than two months shall lapse between the date of one meeting and the date of the next meeting. At least .....members shall form a quorum.
- 38.2 If a member of the board fails to attend three consecutive meetings without being excused thereon, or otherwise fails to perform his/her duties, the position shall be declared vacant and may be filled as provided for in these by-laws.

### **39. RECORD OF BUSINESS OF THE BOARD**

- 39.1 All business discussed or decided at the Board Meeting shall be recorded without erasures and corrections in a Minute Book, which within one week of the meeting, shall be signed by the Chairman of the meeting and at least one other board member who was present at the meeting, to indicate that in their opinion the minutes are a true and complete record of all matters discussed or decided at the meeting.

39.2 At the next meeting, after approving any alterations or variations, which shall be written below the above signatures and not as alterations to the original record, the meeting shall, by resolution, authorize its Chairman to sign and date the final record.

#### **40. DUTIES AND POWERS OF THE BOARD**

40.1 The board of the Sacco society shall subject to any directions from the General Meeting generally direct the affairs of the Sacco society. Its procedures, powers and duties shall be as prescribed by the Act, Regulations, co-operative Act and Rules and these by-laws.. In particular, it shall:

- a) Observe in all its transactions the Act and the Regulations, Co-operative Act and the Rules, these by-laws and prudent business practices.
- b) Establish and approve appropriate policies including human resource management, savings, liquidity, investment, dividend, risk management, membership administration, cash handling and information management and preservation.
- c) Ensure that the management maintains proper and accurate records that reflect the true and fair position of the Sacco society's financial condition.
- d) Prepare and develop business plans and annual budgets for presentation at the General Meeting;
- e) Formulate the Electoral Policy to guide in the nomination and election process
- f) Appoint such number of board committees as maybe necessary to effectively discharge its functions;
- g) Approve interest rates on loans, the maximum maturities and terms of payment or amortization of loans from time to time and the maximum amounts that may be loaned with or without security to any member as recommended by the Sacco society's management;
- h) Cause the audited accounts to be displayed in a conspicuous place at its registered office and branches at least two weeks before presentation of accounts to its members at the general meeting;
- i) Lay before the General Meeting audited accounts, together with proposals for the disposal of net surplus, if any;
- j) Recommend to the General Meeting the dividend rate to be paid on shares, if any, and interest to be paid on non withdrawable deposits;

- k) Fill through co-option, vacancies occurring in the board between General Meetings;
- l) Authorize the conveyance of properties;
- m) Authorize borrowing of the Sacco society in accordance with the law.
- n) Approve and review lending policies of the Sacco society to ensure compliance with the Law.
- o) Approve or ratify all loans to directors and employees of the Sacco society;
- p) Approve interest rates on loans to members as recommended by finance committee,
- q) Designate a depository or depositories for the funds of the Sacco society;
- r) Prepare and approve a code of conduct in the form set out in the third schedule of the Regulations;
- s) Employ and fix the remuneration of the employees including the appointment of chief executive officer in accordance with the approved human resource policy,;
- t) Report within 15 days the appointment, resignation or removal of the chief executive to the Authority
- u) Impose fines as provided for under these by-laws;
- v) Ensure that the Sacco Society pays its statutory levies to the Authority as and when they fall due;
- w) Ensure adequate provisions for known and probable losses and recommend to the General Meeting the write-off of bad debts.
- x) Perform or authorize any actions consistent with the Act, the Regulations and these by-laws, unless specifically reserved for the General Meeting;
- y) To provide adequate budget for education and training of members, and the capacity development of the board and staff.
- z) Receive and consider reports from the established Board committees.

## **41. EXPENDITURE**

- 41.1 No expenditure shall be authorized by the board and/or management unless it is provided for in the estimates formally approved by the General Meeting.

## **42. LEGAL STANDARD OF CARE**

- 42.1 In the conduct of the affairs of the Sacco society, the members of the board shall exercise the prudence and diligence of ordinary men of

business and shall be held jointly and severally liable for any losses sustained through any of their acts, or failure to act, which are contrary to the Act, the Regulations, any other applicable law these By-laws or the directions of the General Meeting.

#### **43. DELEGATION TO EMPLOYEES**

43.1 The board may delegate to the chief executive officer of the Sacco society such duties as it deems fit.

43.2 Nothing in (i) above shall absolve the board from its responsibility of running the affairs of the Sacco society in a proper and businesslike manner.

#### **44. INDEMNITY**

44.1 All Board Members shall each provide an indemnity of an amount approved by the General Meeting. A duly completed Form V in the schedule to the Rules shall be lodged with the Commissioner within 14 days upon election to the board.

#### **45. DECLARATION OF WEALTH**

45.1 Every board member shall within 30 days of being elected declare wealth to the Commissioner in the prescribed manner.

#### **46. SUSPENSION OF A BOARD MEMBER**

46.1 The Authority may suspend from duty any Board Member charged in a court of law with an offence involving fraud or dishonesty pending the determination of the matter.

46.2 The majority of the Board Members may suspend a Board Member and accordingly inform the Authority subject to ratification by the general meeting for;

- (i) Failure to disclose vested interests.
- (ii) Any other good cause.

#### **47. REMOVAL OF A BOARD MEMBER FROM OFFICE**

47.1 A member of the board shall cease to hold office if he/she:

- (i) Ceases to hold qualifications of a Board of Director as specified in the Act, Regulations and these By-laws;
- (ii) Is removed by the Authority under the provisions of the Act and Regulations;
- (iii) Is voted out by two-thirds majority of members present and voting at the General Meeting.
- (iv) Is removed by the Commissioner under the provisions of Co-operative Act and the Rules.

## **48. BOARD CHAIRMAN AND VICE CHAIRMAN**

48.1 The board chairman shall:

- (i) Preside at general meetings, board meetings and joint meetings with the Supervisory Committee.
- (ii) Perform such other duties as may be directed by the board, not inconsistent with provisions of the Act, the Regulations applicable laws and these by-laws.

48.2 No person shall serve as a chairman for more than two consecutive terms and no person who has held office for two consecutive terms shall be eligible as chairman for a period of three years from the date of vacation of office.

48.3 The vice chairman shall perform the duties of the Chairman during his/her absence and such other duties as the board may direct.

## **49. HONORARY SECRETARY**

49.1 The duties of the Honorary Secretary are to:

- (i) Cause minutes of the General Meetings, board meetings, and joint meetings with the Supervisory Committee to be recorded.
- (ii) Ensure that notices of the meetings are prepared and sent out.
- (iii) Ensure that the Sacco society's correspondence is promptly and correctly attended to.
- (iv) Perform such other duties as may be directed by the board.

## **50. BOARD COMMITTEES**

- (i) Board committees shall consist of persons drawn from the board.
- (ii) The board may delegate to the Board-committees some of its duties under these by-laws as it deems fit.
- (iii) These committees shall convene as directed by the board.
- (iv) The committees :-
  - a) Shall keep minutes of their work at all times
  - b) May delegate to the management any of their functions but shall ultimately bare responsibility

## **51. FINANCE AND ADMINISTRATION COMMITTEE**

51.1 The finance Committee shall consist of three members from the board including the treasurer who shall serve as its Chairman. Its duties shall be to:

- (i) Review and make recommendations to the board on the financial plans of the Sacco society ensuring its adequacy and soundness in providing for the Sacco Society current operations and long term stability.
- (ii) Review, discuss and make recommendations to the board concerning significant financial planning, management and reporting issues of the Sacco society
- (iii) Review periodic financial statements of the Sacco society before submission to the board.
- (iv) Consider and advise the board on investments and borrowings.
- (v) Make recommendations to the board on capital expenditure projects.
- (vi) Ensure all expenditure of the Sacco society are within the approved budgets
- (vii) Monitor the management's adherence to the procurement plans approved by the board
- (viii) Review and make recommendation on finance related policies including investments, capital adequacy and financial performance monitoring.
- (ix) Ensure the Sacco society has liquidity management policies as prescribed in the Regulations.
- (x) Review loan interest rates and other levies proposed by the management and make recommendations to the board for approval.
- (xi) Review and make recommendations on appropriate Human Resource Policies,
- (xii) Review the organizational structure of the Sacco Society and ensure its manned by staff with relevant skills and experience.
- (xiii) Ensure that periodic reviews of staff performance are conducted.

- (xiv) Examine and recommend Human Resource expenditure for approval by the board.
- (xv) Ensure establishment of management succession plan in the Sacco society.
  
- (xvi) Ensure the management adheres to the approved human resource and related policies

## **52. EDUCATION COMMITTEE**

52.1 The Education Committee shall consist of three members appointed from the board. Its duties among others shall be to:

- a) Review and recommend education programmes for members, board members, and the general public for approval by the board.
- b) Monitor implementation of educational programs formulated to ensure that the members and the board are well trained and prepared for the tasks they are entrusted with.

## **53. AUDIT COMMITTEE**

53.1 The audit committee shall consist of not more than three members appointed from the board, one of whom shall be conversant with financial and accounting matters. The chairman of the board shall not be a member of the Audit committee.

53.2 The primary responsibility of the Audit committee shall be as prescribed in the Regulations which includes:-

- (i) Ensuring establishment and review of the internal control system.
- (ii) Review performance and findings of the internal auditor and recommend remedial actions regularly and at least once in every three months;
- (iii) Recommending three names of external auditors and the remuneration to the board;
- (iv) Reviewing coordination between internal and external audit functions as well as monitor external auditors independence and objectivity;
- (v) Report to the board on their findings and recommendations;



## **54. CREDIT COMMITTEE**

54.1 The credit committee shall consist of three members of the Board whose chairman shall be the board vice chairman, Its duties among others shall be to:-

- (i) Ensure establishment and review of appropriate credit policy consistent with the relevant provisions of the Regulations and these by laws.
- (ii) Ensure that the problem loan accounts are adequately identified and classified as prescribed in the Regulations.
- (iii) Ensure adequate provisions for potential loss is maintained.
- (iv) Review periodic credit and loan portfolio reports of the Sacco society before submission to the board.

## **55. SUPERVISORY COMMITTEE**

55.1 The Sacco society shall have a supervisory committee consisting of three members each elected at the General Meeting for a period of three years and one member of the supervisory committee shall retire annually. No person who has been a member of the board within two (2) years preceding the date of the anticipated election shall be eligible for membership of the supervisory committee.

55.2 The committee shall:

- (i) Have qualifications similar to those of members of the Board.
- (ii) Be required to have at least some knowledge of accounts.
- (iii) Be removed by a resolution of the general meeting.

55.3 The supervisory committee shall hold quarterly meetings save for joint meetings between its members and those of the Board.

## **56. DUTIES OF THE SUPERVISORY COMMITTEE**

56.1 The duties of the supervisory committee shall include:

- (i) Counterchecking, the effectiveness of the society's internal control systems through:-
  - a) Verification of all transactions of the Sacco society
  - b) Writing periodic report to be tabled at board meetings
  - c) Submission of its reports to the commissioner
  - d) Presenting its reports to general meeting.
- (ii) The supervisory committee shall not perform the duties or exercise any of the powers of the board.

- (iii) The supervisory committee shall be held liable for any loss incurred due to their negligence in performing their duties.
- (iv) The Supervisory Committee shall serve as the appeal committee to hear appeals from suspended members

## **57. THE CHIEF EXECUTIVE OFFICER**

57.1 The chief executive officer shall be appointed by the board and shall be responsible for the day to day operations of the Sacco society and in particular ensure;

- (i) the implementation of and adherence to the policies, procedures and standards;
- (ii) systems that have been established to facilitate efficient operations and communication are followed
- (iii) the planning process that has been developed to facilitate achievement of targets and objective is adhered to.
- (iv) all staff matters, particularly human resource development and training are attended to.
- (v) adherence to the established code of conduct;
- (vi) Compliance with the Act, Regulations, Co-operative Act, Rules these by laws and any other applicable laws.

57.2 The chief executive shall ensure that the board is frequently and adequately appraised on the operations of the Sacco society through presentation of relevant reports which shall cover, but not limited to the following:-

- (i) financial statements (monthly, quarterly and annual);
- (ii) showing current compared with past period actual performance, the budget compared with the actual and with explanations for any variances;
- (iii) capital structure and adequacy;
- (iv) delinquent loan list, and in particular growth in loans, loan losses, recoveries and provisioning;
- (v) Statement of comprehensive income (monthly, quarterly and annual) comparison with budgeted against actual;
- (vi) Sources and application of savings and deposits;

- (vii) All insider lending and non-performing insider loans if any.
- (viii) violation of the Act, these regulations and any other applicable law, and remedial actions taken to comply;
- (ix) large risk exposures;
- (x) investment portfolio;

57.3 The chief executive officer shall;

- i) attend all board and general meetings and general meetings as an ex-officio member.
- ii) be a signatory to Sacco society cheques, contracts and other documents as may be necessary.
- iii) Perform such other duties as may be assigned by the board.

## **58. BOOKS OF ACCOUNTS AND RECORDS**

58.1 The Sacco society shall keep upto date and in a proper business like manner, electronic or otherwise, such books of accounts and records as stipulated in Co-operative Act and Rules, and in particular:-

- a) A register of members showing in respect of each member:
  - (i) Name, age, date of application for membership, address and occupation;
  - (ii) Date of admission to membership;
  - (iii) Date of cessation of membership,
  - (iv) Name and particulars of nominees,
  - (v) Any other information as may be required by the Sacco society from time to time, and
  - (vi) Number and Value of shares held
- b) Minute books giving details of proceedings of board, Board committees, joint board and Supervisory Committee, Supervisory Committee meetings and all other committee meetings held in accordance with these by-laws.
- c) Minute book giving details of proceedings at the General Meetings.

- d) A cashbook showing the details of all monies received or paid out by the Sacco society.
- e) A general ledger containing such accounts as is necessary to accurately reflect the business of the Sacco society.
- f) A personal ledger for each member showing his/her transactions with the Sacco society.
- g) A register of assets and property.
- h) A register of loans to members showing in respect of each loan; the loan number, name of the borrower, the amount borrowed, the purpose of the loan, security, the due date of repayments and the date repayments were completed.
- i) Such other books and records as the board or the Authority may decide or prescribe.

58.2 The accounts and the financial records of the Sacco society shall be denominated in Kenya shillings and shall comply with international financial reporting standards and any reporting requirements prescribed by the Authority.

## **59. POLICIES & PROCEDURES**

59.1 The board shall make and approve such policies and procedures as prescribed in the Regulations and as they deem necessary for the conduct of the Sacco society's business. Any such policies and procedures shall be recorded in the minute book.

## **60. CODE OF CONDUCT**

60.1 The officers of the Sacco society shall comply with governance rules as prescribed by the ethics commission for cooperatives.

60.2 The Sacco society shall formulate a code of conduct in accordance with third schedule of the regulations which shall be approved by the Authority.

## **61. COMMON SEAL**

61.1 The Sacco society shall adopt and use a common seal. The seal shall have an imprint bearing the words "seal of ..... **Savings and Credit Co-operative Society Limited**" which shall be different from the ordinary name-stamp of the Sacco society.

- i) The seal shall be kept securely under lock and key by the chief executive officer and be used only in the presence of the officers authorized to sign documents on behalf of the Sacco society.

- ii) Where the common seal is used in any document it shall be authenticated by the signature of the board chairman and the chief executive officer or any other officer authorized by the board of the Sacco society.

## **62. FINANCIAL YEAR**

62.1 The financial year of the Sacco society shall be from 1<sup>st</sup> January to 31<sup>st</sup> December

## **63. DISTRIBUTION OF SURPLUS FUNDS**

63.1 Subject to the Act, Regulations and approval by the General Meeting, the net surplus resulting from operations of the Sacco society during any financial year may be disposed off follows:

- a) credited to the Reserve Fund.
- b) disposed of as decided by the General Meeting for:
  - (i) Paying dividends on shares
  - (ii) Being forwarded to Education Fund or any other fund or funds of the Sacco society including the appropriations.
  - (iii) Paying honorarium to Board members and bonus to staff.
  - (iv) In any other way recommended by the board and approved by the General Meeting.

## **64. FINES**

64.1 For any breach of these by-laws or lawful instructions issued by the Board and General Meeting, or failure to honour his obligations on time, the member may be fined an amount not exceeding Kshs.20,000.00.

## **65. DISPUTES**

65.1 If any dispute concerning the business of the Sacco society arises: -

- (i) Among members, past members and persons claiming through members, past members and deceased members; or
- (ii) Between members, past members or deceased members, and the Sacco society, its committee or any officer of the Sacco society; or
- (iii) Between the Sacco society and any other co-operative society;
- (iv) Between the Sacco society and the Authority

65.2 Which cannot be determined by the board (or General Meeting), it shall be referred to the Tribunal. Appeals shall be taken to the High Court.

## **66. MISCELLANEOUS**

- 66.1 No board member or Supervisory Committee member shall receive from the Sacco society any payment apart from sitting allowance, and travelling and subsistence allowance, except an honorarium from the net surplus as allowed in these by-laws.
- 66.2 The board and supervisory committee members, and employees of the Sacco society shall hold in the strictest confidence all transactions of the Sacco society with its members.
- 66.3 No member of the board or supervisory committee shall in any manner participate in the deliberations and determination of any question affecting his/her financial interest. In the event of any disqualification, the remaining qualified board or committee members present at the meeting, if constituting a quorum with the disqualified person may exercise, with respect to the matter, all powers of the board or committee.
- 66.4 A copy of these by-laws shall be furnished to every member who joins the Sacco society or on request upon payment of a fee not exceeding its actual cost to the Sacco society.

## **67. INSPECTION OF DOCUMENTS**

- 67.1 All books of accounts and other records shall at all times be available for inspection by the Authority, supervisory committee and the members.
- 67.2 The by-laws of the Sacco society and the registration certificate shall at all times be available for inspection by the Authority and the Commissioner.
- 67.3 A list of members (excluding details of nominees and shareholdings, deposits and r loans) shall be available for inspection by any member and any other stakeholder upon payment of a prescribed fee.

## **68. DISSOLUTION**

- 68.1 The Sacco society shall be dissolved in accordance with the procedures set forth in the Co-operative Act and Regulations and the Rules.

## **69. AMENDMENT OF BY-LAWS**

- 69.1 These by-laws shall be amended in accordance with the Cooperative Act and the Rules, the Act and Regulations but no amendment shall become effective until it is approved and registered by the Commissioner.

## 70. ACCEPTANCE

70.1 We the undersigned Board Members of .....  
Savings and Credit Co-operative Society Limited named herein do  
hereby accept these by laws for and on behalf of the Sacco society.

<b>TITLE</b>	<b>NAME</b>	<b>ID. NO.</b>	<b>SIGNATURE</b>
CHAIRMAN	.....	.....	.....
VICE CHAIRMAN	.....	.....	.....
HON. SECRETARY	.....	.....	.....
TREASURER	.....	.....	.....

### OFFICIAL CERTIFICATION

I CERTIFY that the foregoing by-laws of the .....Savings and  
Credit Co-operative Society Limited have been approved and duly registered.  
Given under my hand at Nairobi this ..... Day of ..... 20.....

### COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT