

THE COOPERATIVE SOCIETIES ACT  
CAP.211

**REGULATIONS**

*(Made under section 141(1) and (3))*

SAVINGS AND CREDIT COOPERATIVE SOCIETIES REGULATIONS

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**PART I  
PRELIMINARY**

Citation  
G.N.Nos:  
496 of 2014  
450 of 2015

1. These Regulations may be cited as the Savings and Credit Cooperative Societies Regulations.

Application  
Act No.  
6 of 2013

2.-(1) These Regulations shall apply to all Savings and Credit Cooperative Societies registered under the Cooperative Societies Act.

Interpretation

3. In these Regulations, unless the context requires otherwise-

Act No.  
6 of 2013

“Act” means the Cooperative Societies Act;

“annual percentage rate” means the cost of a loan to a member expressed in a percentage on an annual basis and that considers the finance cost and all fees;

“annual percentage yield” means the effective annual rate of return for savings and share accounts taking into account the effect of compounding interest;

“Board” means the governing body of a SACCOS to whom the management of its affairs is entrusted;

“cease and desist order” means an administrative order of the Registrar against a SACCOS or its member to stop the occurrence of any illegal practice;

“code of conduct” means a set of rules governing the SACCOS leaders’ conduct and the manner in which management of SACCOS is conducted and adheres to the cooperative principles and practices as prescribed in the Second Schedule of the Act and these Regulations;

“Commission” has the meaning ascribed to it under the Act;

- “compounding” means an act of crediting dividends or interest to an account of a member periodically;
- “conditional license” means a license that is issued with conditions such that measures can be taken by the applicant to meet licensing requirements;
- “Cooperative Regulations” means the cooperative Regulations made under the Act;
- “SACCOS leader” means a member of the Board or any committee of the SACCOS and shall include a member of executive staff in the senior management;
- “core capital” means fully paid up membership shares, statutory reserve fund, retained earnings, capital grants and donations that are not transitory in nature and are not meant to be paid out unless on liquidation of a SACCOS;
- “deposits” means withdrawable sum of money put by a member to a SACCOS for a stipulated term to earn interest subject to conditions as prescribed in the agreement certificate of deposit and which may be used as collateral for a loan;
- “financial institution” means a financial institution as defined in the Banking and Financial Institutions Act;
- “institutional capital” means statutory reserve fund, retained earnings, capital grants and donations that are not transitory in nature and are not meant to be paid out unless on liquidation of a SACCOS;
- “interest rate risk” means the risk due to the increase in market interest rate while the interest on fixed-rate loans and investments remains the same;
- “licensed SACCOS” means SACCOS that have been registered and permitted by the Commission to offer products and services as provided for in these Regulations;
- “liquid assets” means cash and assets which are easily

- convertible into cash;
- “liquidity risk” means the risk that occurs when cash or cash equivalent provided by normal operations is inadequate to meet some obligations or expenses of a SACCOS;
- “loan participation” means a process where one or more SACCOS borrow from financial institutions by guaranteeing another SACCOS pursuant to a written agreement;
- “manager” means an officer of a SACCOS vested with the powers to manage and supervise day to day affairs of that SACCOS;
- “member” has the meaning ascribed to it under the Act;
- “membership shares” means obligatory minimum par value shares required for membership of a SACCOS;
- “minimum capital” means fully paid up shares of members whose value is not less than five million Tanzania Shillings;
- “net institutional capital” means the sum of all the institutional capital accounts including the net balance of the allowance for loan loss account;
- “notice of deferment” means a written document from the Registrar to entitle a SACCOS in respect of which it is issued to operate as a registered or licensed SACCOS for a specified time during which it is required to fulfil the required conditions;
- “Officer” means any officer of a SACCOS and include chairperson, vice chairperson, Manager, treasurer, Board or Committee member and any other person authorized to act on behalf of a SACCOS;
- “penalty order” means an administrative order of the Commission against a SACCOS or its officer for the failure to comply with the provisions of the Act or these Regulations;
- “problem asset” means an asset whose current value is less than the book value;

- “prohibition order” means an administrative order of the Commission against a SACCOS or its officer that prohibits a SACCOS or its officer from engaging in a business or activity which is illegal or against By-Laws and policies of a SACCOS;
- “Registered SACCOS” means SACCOS registered by the Commission as provided for under the Act;
- “related parties” means immediate family members of a SACCOS member and include the spouse, parents and children of a member, whether or not living in the same household;
- “SACCOS” means Savings and Credit Cooperative Societies registered under the Act;
- “savings” means funds which are withdrawable on terms and conditions specified in the By-Laws;
- “shares” means share in a share capital of a SACCOS and includes the membership shares and voluntary shares;
- “statutory management” means a procedure whereby the Commission takes immediate control and management of the SACCOS’ business and assets and may operate the SACCOS until the Commission permits it to resume business on its own subject to any terms and conditions the Commission may impose;
- “voluntary shares” means funds that are withdrawable and may be used as collateral subject to terms and conditions provided in the By-Laws.

## PART II

### FORMATION, REGISTRATION AND DEREGISTRATION OF SACCOS

- Initial meeting                      4.-(1) Subject to section 20 of the Act, persons who wish to form SACCOS are required to hold an initial meeting for the purpose of-
- (a) discussing and agreeing on the formation of SACCOS;
  - (b) determining its own procedures including the election of the chairperson and secretary

- of the Initial Meeting; and
- (c) electing the Formation Committee.
- (2) The initial meeting held under sub regulation (1) shall be under the guidance of the cooperative officer.
- (3) Without prejudice to section 20 of the Act, the members of the initial meeting shall be deemed to be the founder members of the prospective SACCOS.

Formation  
Committee and  
its functions

5.-(1) The Formation Committee elected under Regulation 4 shall consist of such number of members as determined in the initial meeting.

(2) The Formation Committee shall, under the guidance of cooperative promotion officer or Cooperative officer, elect a chairperson and appoint a secretary to prepare and maintain records of its proceedings.

(3) The functions of a Formation Committee shall be-

- (a) to consider in detail the type of SACCOS to be formed and determine its objects;
- (b) to undertake a feasibility study into the economic viability of the proposed SACCOS;
- (c) to compile a list of founder members and record of the required shares and contributions as required in the proposed By-Laws of the SACCOS;
- (d) to prepare, in consultation with the cooperative promotion officer or Cooperative Officer, appropriate By-Laws for the proposed SACCOS;
- (e) to convene Formation Meeting; and
- (f) to do all such acts as may be necessary for the purpose of meeting registration requirements.

(4) For the purpose of registration of the prospective SACCOS, the Formation Committee shall

prepare and submit a report to the Formation Meeting for discussion and approval.

Matters to be included in a feasibility study

6. The feasibility study to be undertaken by the Formation Committee shall be for the purpose of determining economic viability of the SACCOS and shall include the following:

- (a) potential members, common bond and felt need to establish a SACCOS;
- (b) potential members ability to buy shares and make contribution in order to raise enough initial Capital for the purpose of sustaining the basic costs of running the SACCOS;
- (c) potential members' background and skills they possess;
- (d) potential capacity of management to organize and control the affairs of the SACCOS;
- (e) potential business volume of the SACCOS to enable continuous operations and profit;
- (f) the minimum required infrastructure and supporting services available within the area of operation of the SACCOS; and
- (g) any other information that the Registrar may direct.

Formation Meeting

7.-(1) Without prejudice to regulation 4, there shall be a Formation Meeting, which shall be convened by Formation Committee for the purpose of receiving the report on forming and registering a SACCOS.

(2) For avoidance of doubt, the Formation Meeting shall consist of the founder members of the proposed SACCOS.

(3) The Formation Meeting held under sub regulation (1) shall be under the supervision of the Cooperative Promotion Officer and shall have the following functions-

- (a) to determine its own procedures including

- the election of the chairperson and secretary of the Formation Meeting;
- (b) to receive and discuss the Formation Committee report;
- (c) to adopt the name of the proposed SACCOS;
- (d) to endorse the By-Laws of the proposed SACCOS;
- (e) to endorse the projected financial statement of the proposed SACCOS;
- (f) to endorse the economic viability report of the proposed SACCOS; and
- (g) to assign the Formation Committee to finalize necessary documents for registration and submit them to the Registrar.

Application for registration of a SACCOS

8.-(1) An application for registration of a SACCOS shall be made to the Registrar and shall be accompanied by the following:

- (a) certified copies of resolutions passed at the initial and Formation Meeting;
- (b) four original copies of the By-Laws duly adopted by the Formation Meeting;
- (c) an evidence of fully paid up shares and minimum capital of five million Tanzanian Shillings accumulated prior to the date of the registration application;
- (d) report of the meeting in which the Formation Committee members are elected including their educational background and professional qualification and confirmation that they have agreed to fulfil the duties relative to their position;
- (e) where applicable, the proposed management information system to be used to perform and account for all transactions;



- (f) Report of feasibility study which demonstrates the economic viability of the SACCOS and the following:
    - (i) potential members' ability to buy shares and make contributions to meet the minimum capital requirement and pay for start-up costs;
    - (ii) proposed organizational structure, scope and business operations;
    - (iii) proposed products and services;
    - (iv) financial projections and assumptions that demonstrate the SACCOS can meet regulatory requirements and prudential standards for the initial three years of operations as set out in the Third Schedule to these Regulations; and
    - (v) any other information as the Registrar may require.
  - (g) name of the proposed Manager and his educational background, related work experience and professional qualifications.
- (2) Where a SACCOS fails to propose the name of the Manager it shall submit an evidence which demonstrates its ability to employ competent Manager within six months after the date of registration.

Determination of application for registration

9.-(1) The Registrar shall, in the determination of the application for registration, take into account the economic viability of the SACCOS and that the SACCOS has fulfilled the conditions for registration pursuant to relevant provisions of the Act.

(2) For the purpose of these Regulations, the economic viability of the SACCOS shall be assessed using the prescribed form set out in the First Schedule to Cooperative Regulations.

(3) Without prejudice to sub regulations (1) and (2), the Registrar shall determine any application for the registration of a SACCOS if he is satisfied that such

application-

- (a) was made in accordance with the provisions of the Act and these Regulations;
- (b) the SACCOS will operate responsibly by persons considered appropriate and capable of managing a financial institution;
- (c) financial resources of the applicant are sufficient;
- (d) there is appropriateness of the By-Laws;
- (e) there is soundness and financial sustainability of the plans submitted by the applicants; and
- (f) any other requirements as the Registrar may prescribe.

Refusal of registration

10.-(1) Subject to section 32 of the Act, the Registrar may refuse to register a SACCOS on the following grounds:

- (a) the SACCOS is not established for the interests of its members;
  - (b) the proposed By-Laws of the SACCOS are not consistent with the Act or these Regulations;
  - (c) failure to submit all documents required for registration;
  - (d) the registration documents and other information submitted do not comply with the requirements provided in the Act or prescribed in these Regulations;
  - (e) the Registrar observes that some of the members are from the existing SACCOS in the same locality or such members have liabilities to the existing SACCOS;
  - (f) there is no sufficient capital for the commencement and maintenance of the operations of the SACCOS; and
  - (g) the proposed SACCOS is not economically viable.
- (2) Where the Registrar refuses to register a

SACCOS he shall issue a written notice to the SACCOS stating the reasons thereof.

(3) A SACCOS whose application has been refused pursuant to this regulation may submit a fresh application based on the reasons of refusal by the Registrar and such application received by the Registrar shall be treated as the new application and shall be subject of the same process.

(4) A SACCOS aggrieved by the refusal of the Registrar to register such SACCOS may, within sixty days from the date of written notice of refusal, appeal to the Minister who shall make decision thereof within thirty days from the date of receiving the appeal.

Name of  
SACCOS

11.-(1) Any SACCOS registered under the Act and these Regulations shall be named as a registered SACCOS.

(2) Without prejudice to sub-regulation (1), the words "Savings and Credit Cooperative Society Ltd," shall form part of the name of every registered SACCOS.

(3) The name of a SACCOS shall not contain a word or expression, an element of which is the family name of an individual or ethnic group unless such name has become established by a long and continuous use or has through use acquired a meaning that renders it distinctive.

SACCOS to  
begin operations  
after registration

12.-(1) Every registered SACCOS shall begin its operations within six months from the date of registration.

(2) The Registrar may cancel the registration of any SACCOS which fails to begin its operations pursuant to sub-regulation (1).

(3) The operations of a registered SACCOS shall only involve offering of membership shares, voluntary shares, savings and loans to its members.

(4) Unless the Registrar otherwise directed, a registered SACCOS shall not offer products and

services other than those prescribed in sub-regulation (3).

Deregistration of SACCOS

13.-(1) The Registrar may, upon being satisfied that a registered SACCOS has failed to comply with terms and conditions of registration or is in breach of the provisions of the Act and these Regulations, deregister, a registered SACCOS.

(2) A registered SACCOS aggrieved by the decision of the Registrar to deregister such SACCOS may, within sixty days from the date of written notice of deregistration, appeal to the Minister who shall make decision thereof within thirty days from the date of receiving the appeal.

(3) For the purpose of de-registration of SACCOS, the provisions of Cooperative Regulations relating to de-registration of cooperative societies shall apply *mutatis mutandis*.

### PART III

#### LICENSING OF REGISTERED SACCOS

Licensing requirements and application

14.-(1) A Registered SACCOS which wishes to offer more products and services shall apply to the Commission for a license.

(2) Each Registered SACCOS applying for a license shall submit to the Registrar the following:

- (a) evidence that a registered SACCOS has accumulated and maintained a minimum core capital of not less than Tanzanian Shillings one hundred million or as directed by the Registrar.
- (b) letter of application in the prescribed format as set out in the Form No. 1 to the First Schedule;
- (c) a non refundable application fee as

- prescribed by the Commission from time to time;
- (d) certified copy of the current By-Laws for the purpose of licensing;
  - (e) registration certificate;
  - (f) full names and addresses of the Board members, supervisory Committee members and officers of the SACCOS;
  - (g) individual and aggregate share and loans balances for Board members, supervisory Committee members and senior officers;
  - (h) Curriculum Vitae for Board members, supervisory committee members and senior officers;
  - (i) evidence that at least two Board members and one supervisory committee member have financial, business, accounting, auditing and management backgrounds and that the General Manager has at least two years' experience in managing a SACCOS or other financial institution;
  - (j) business plan for three years of operations that includes: the mission statement, organizational structure, products and services, branch expansion plans if applicable, strategy for growth, projected statement of financial position, income statements and cash flow statements and the assumptions used to make the projections for three years of operations;
  - (k) policies for lending, investments, human resources, savings, liquidity,

- finance, collections and internal procedures and control manuals;
- (l) evidence that there are adequate safekeeping facilities and security for cash in the premises and adequate bonding and insurance coverage;
- (m) audited financial statements for the last two fiscal years;
- (n) approval by the SACCOS' general meeting to apply for a license;
- (o) proof that the SACCOS has employed or has contract with an internal auditor responsible for monitoring, among other duties, the correct and effective implementation of the internal control system; and
- (p) proof that the SACCOS' Management Information System can-
  - (i) produce a monthly statement of financial position, income statement, delinquency report and aging schedule;
  - (ii) meet the licensing monthly reporting requirements as provided for under these Regulations; and
  - (iii) process and account for the additional transactions related to the new products and services that shall be offered.

Inspection before  
granting a  
license

15. Prior to granting a license, the Registrar shall perform a complete inspection of the following:

- (a) financial condition of the registered SACCOS;

- (b) its physical and technological infrastructure; and
- (c) the professional qualification quality of its Board members and Officers.

Issuance of a license

16.-(1) The Registrar shall within sixty days upon the receipt of the complete application and after being satisfied that the application is in compliance to the provisions of the Act and these Regulations, issue a license to the registered SACCOS using Form No 2 set out in the First Schedule to these Regulations.

(2) The licensed SACCOS shall pay annual licensing fees as prescribed by the Commission from time to time.

Refusal of a license

17.-(1) The Registrar may refuse to license any registered SACCOS which fails to meet the requirements for licensing under these Regulations and shall in writing notify the applicant.

(2) The applicant whose application has been refused in terms of sub-regulation (1), may submit a fresh application based on the reasons of refusal given by the Registrar and such application shall be treated as the fresh application and shall be subjected to the same review or determination process.

(3) Any applicant aggrieved by the decision of the Registrar to issue licence, may appeal to the Minister within sixty days from the date of receipt of the written notice of refusal and the Minister shall give his decision within thirty days thereof.

Reasons for the refusal

18. Without prejudice to Regulation 17, the following shall be the grounds for the refusal of the license:

- (a) failure to meet the requirements for license as provided for under these Regulations;
- (b) if the registered SACCOS applying for licensing is not economically viable for the purpose of licensing; and
- (c) any other reason in the opinion of the Registrar which in all cases need to be within the provisions of the Act and these Regulations.

Conditional licensing

19. The Registrar may issue a conditional license to a registered SACCOS to operate as a licenced SACCOS subject to the terms and conditions as the Commission may prescribe from time to time.

Licensed SACCOS' products and services

20.-(1) A Licensed SACCOS may offer any of the following products and services:

- (a) membership and voluntary shares;
- (b) savings, deposits and time deposits;
- (c) loans to individual members;
- (d) loan participations; and
- (e) such other products and services as may be authorized by the Registrar.

(2) Unless otherwise directed by the Registrar, a licensed SACCOS shall not engage in the following activities:

- (a) current accounts;
- (b) foreign exchange business;
- (c) foreign trade operations;



- (d) trust operations;
- (e) remittances;
- (f) credit and debit cards;
- (g) payment orders and transfer of funds;
- (h) POS;
- (i) investment in enterprise capital;
- (j) purchasing or otherwise acquiring any fixed or non-earning assets greater than the amount specified in the prudential standards as set out in the Third Schedule;
- (k) any business other than providing financial products and services to its members; and
- (l) such other activities as prescribed by the Commission.

Opening of  
branch for  
SACCOS

21.-(1) A registered SACCOS shall not open a branch for the purpose of expanding its operation unless it is a licensed SACCOS and subject to approval in writing by the Registrar made pursuant to the provisions of these Regulations.

(2) A licensed SACCOS which wishes to open a branch to expand its operation shall, in writing, request the Registrar for his approval and its request shall include the following information:

- (a) the proposed location of the branch;
- (b) purpose and objectives for opening a new branch;
- (c) financial impact of the branch, both income generated and associated costs;
- (d) description of how the branch shall be

financed including a copy of the proposed lease and financing arrangements;

- (e) projected balance sheet and income statement for two years after the start of proposed branch operations;
- (f) proposed branch organisational structure, names and Curriculum Vitae of key staff at the branch; and
- (g) any other information as the Commission may prescribe.

(3) The Registrar shall not approve any licensed SACCOS to open a branch unless he has undertaken an on-site inspection of the proposed branch premises to determine operational readiness of the SACCOS to commence operations.

(4) The Registrar may issue guidelines prescribing requirements in respect of licensed SACCOS branches and expansion.

Relocation of  
place of  
business

22.-(1) A licensed SACCOS shall not relocate a place of business without a written approval of the Registrar made pursuant to the provisions of these Regulations.

(2) A licensed SACCOS which wishes to relocate a place of business shall, in writing, request the Registrar for his approval and its request shall be accompanied by the following information:

- (a) reasons for the change of location;
- (b) plan for settlement or transfer of claims and liabilities;
- (c) completion of preparations for the new place of business; and

(d) any other information as the Registrar may prescribe.

Operating an agency or outlet

23.-(1) A licensed SACCOS shall not open or operate an agency or outlet without the prior written approval of the Registrar made pursuant to the provisions of these Regulations.

(2) A licensed SACCOS which wishes to open or operate an agency or outlet shall, in writing, request the Registrar for his approval and its request shall be accompanied by the following:

- (a) a duly executed copy of the agency agreement between the parties concerned;
- (b) the security features and space available for offering licensed SACCOS' products and services; and
- (c) any other information as the commission may prescribe.

(3) A licensed SACCOS shall not be an agent of any financial institution without prior written approval of the Registrar.

Operational requirements

24.-(1) Notwithstanding any provision in these Regulations to the contrary, every licensed SACCOS shall:

- (a) prepare monthly financial statements, delinquent loan reports and aging schedules, savings, loan and investment reports;
- (b) maintain liquid assets of fifteen percent of savings deposits to meet immediate liquidity demands;
- (c) perform a written liquidity analysis on monthly, quarterly and annual basis

- taking into consideration events that may affect liquidity; and
- (d) perform a quarterly written asset liability management analysis focusing on management of interest rate risk and balance sheet structure.
- (2) The Board members for licensed SACCOS shall meet at least once a quarter.

Loan  
participation  
terms and  
conditions

25.-(1) A licensed SACCOS may borrow or lend to another SACCOS for purposes of providing funding to meet liquidity short falls provided that-

- (a) a borrowing licensed SACCOS shall not exceed the limit for external borrowings as provided in these Regulations;
- (b) the Board members of the licenced SACCOS shall approve the borrowing or lending to other SACCOS;
- (c) where a licensed SACCOS lends to another SACCOS, it shall retain ownership of at least ten percent of the original amount of each loan; and
- (d) the terms and conditions for borrowing or lending shall be evidenced by a signed written agreement between or among the participating SACCOS and such agreement shall be approved by the Registrar.
- (2) Where a licensed SACCOS is not an originating lender it shall participate only in loans it

is able to grant and such SACCOS shall-

- (a) have a policy in place which sets forth the loan underwriting standards prior to entering into a loan participation agreement;
- (b) participate only in loans made to its members or members of another participating SACCOS;
- (c) retain the origin or copy of the written participation agreement and schedule of the loans covered by the agreement; and
- (d) obtain approval of the Board members for the disbursement of proceeds to the originating lender.

Statutory  
management of  
licensed SACCOS

26-(1) The Registrar may place a licensed SACCOS under statutory management if the Board or management of licensed SACCOS-

- (a) willfully and continuously fails to comply with instructions issued by the Registrar;
- (b) has abandoned core licensed business or does not operate in the members' best interests;
- (c) is not capable of coping with severe financial problems that threaten the existence of the licensed SACCOS; and
- (d) has engaged in unsound financial practices resulting in massive decline of capital.

(2) Without prejudice to subregulation (1), the Registrar may place a licensed SACCOS under

statutory management if the licensed SACCOS' financial soundness and the members' interests are threatened in such a way that-

- (a) the licensed SACCOS is not able to meet its obligations to shareholders, depositors, or creditors;
- (b) institutional capital is less than two percent of total assets and has been on a declining trend over the most recent twelve months; and
- (c) core capital is less than three percent of total assets and on a declining trend for the most recent twelve months.

(3) All expenses associated with statutory management including the statutory Manager's salary shall be approved by the Registrar and may be paid from the SACCOS operating budget.

(4) A person shall not be appointed as a statutory Manager of a licensed SACCOS if that person is a member of the SACCOS or a creditor or a related party.

(5) Effective from the moment statutory management is ordered, the following shall apply:

- (a) the statutory Manager shall operate on behalf of the interests of the members and the safety of their money;
- (b) no attachment or lien except a lien created by the Registrar shall attach to any property or asset of the licensed SACCOS as long as the statutory Manager managing the SACCOS; and
- (c) any gratuitous transfer of any asset(s) of the licensed SACCOS made within one year prior to the SACCOS being put under statutory management shall stand cancelled and all such assets shall be

surrendered to the Registrar.

Supervision of  
statutory  
Manager

27. For the purpose of supervising statutory management, the Registrar may-
- (a) direct the statutory Manager on how to measure the success of the statutory management;
  - (b) amend the statutory Manager's plan prior to or during implementation;
  - (c) request and receive a report from the statutory Manager on progress made since the last report was submitted;
  - (d) extend the initial time frame of the period of statutory management;
  - (e) replace the statutory Manager if not satisfied with his actions or results; or
  - (f) terminate the statutory management or cancel the SACCOS license and commence liquidation at any time during the process.

Object and  
powers of the  
statutory  
manager

28.-(1) In exercising the powers of the statutory Manager, the Manager shall at all times have the object of preserving the SACCOS' assets and returning the SACCOS to a sound financial condition.

(2) Without prejudice to subregulation (1), the statutory Manager shall execute his powers on terms and conditions as provided for by the Registrar.

Termination and  
indemnification  
of statutory  
management

29.-(1) The Registrar shall terminate a licensed SACCOS from being under statutory management after one year upon improvement of the SACCOS' financial condition and activities.

(2) Subject to sub-regulation (1), the

Registrar may extend one additional year if SACCOS financial condition and activities have not improved.

(3) Upon termination of statutory management all changes made to policies, procedures and management during statutory management shall, unless otherwise directed by the Registrar, remain valid.

(4) The statutory Manager shall not be responsible for losses which are attributed to normal operational risks.

(5) Without prejudice to subregulation (3), the statutory Manager shall be held responsible for any losses of the SACCOS as a result of his negligence.

#### PART IV GOVERNANCE

Supreme  
authority of  
SACCOS

30. The supreme authority of a SACCOS shall be vested in the general meeting of members

Chairperson of  
the general  
meetings

31. Every general meeting of a SACCOS shall elect a chairperson of such meeting except special general meeting summoned by the Registrar provided that no standing chairperson of the general meeting shall at the sametime be a chairperson of the board

First general  
meeting

32.-(1) Every SACCOS shall, within two months from the receipt of the certificate of registration or license, unless the time is extended by the Registrar, hold a first general meeting at which all members shall have the right to be

(2) The business of the first general meeting shall include:

- (a) presentation of Certificate of Registration or license by the Registrar or his representative appointed by him in



- (b) election of the members of the Board and Chairperson of the Board;
- (c) election of the supervisory committee;
- (d) any other business as the members of the first meeting deem necessary or as may be provided for in the By-Laws.

(3) Nothing in these Regulations shall stop the Board from appointing different committees from amongst themselves for better carrying out

Annual general meeting and other meetings

33.-(1) Every SACCOS shall hold an annual general meeting at least once a year and may hold a special or ordinary general meeting as set out in the Third Schedule of the Act.

(2) Without prejudice to the provisions of the Act and subregulation (1) an annual general meetings shall, unless otherwise approved by the Commission, be held within six months after the

Business of the general meeting

34.-(1) The business of the annual general meeting shall be-

- (a) to consider and confirm the minutes of the previous annual general meeting and of any other intervening general meeting not previously approved at another general meeting;
- (b) to receive and consider annual financial statements and auditors reports, summary of management audit report or management letter, and other relevant reports;
- (c) to declare dividends out of profit available for distribution;
- (d) to receive, discuss and endorse the annual estimates or budgets;

- (e) to receive, discuss and approve the SACCOS strategic plan and implementation programmes;
- (f) subject to the provisions of the Act, these Regulations and the By-Laws, to consider and determine the manner in which any available net surplus shall be distributed or invested;
- (g) to consider and adopt any amendments to the By-Laws;
- (h) to propose and approve any honoraria, allowances, audit fees or other remuneration as defined in the Act or these Regulations;
- (i) to elect members of the supervisory committee;
- (j) to elect credit committee members;
- (k) to appoint the auditors of the SACCOS;
- (l) to consider and approve the application for membership and membership;
- (m) to determine appeals of persons whose application for membership has been rejected by the Board;
- (n) to consider and determine the maximum amount SACCOS may borrow;
- (o) to hear and decide upon any complaints brought by members aggrieved by a decision of the management, provided that notice of the intention to bring such complaints before the meeting has been given to the Manager at least two days prior to the meeting;
- (p) if so requested, to hear and decide upon any complaints of auditor who has been removed by the SACCOS; and
- (q) to transact any other general business of

SACCOS of which due notice has been given to members.

(2) Pursuant to section 52 of the Act, every SACCOS shall provide in its By-Laws the procedures for conducting its annual general meeting and special meetings including election of the chairperson and secretary of the meetings.

Ordinary general meeting

35.-(1) Every SACCOS may, apart from annual general meeting and special meeting, hold any ordinary general meetings for the purpose of-

- (a) determining the number of members of the Board in accordance with the By-Laws of the SACCOS where the need arises;
- (b) amendment of the By-Laws where the need arises;
- (c) discussing the suspension and expulsion of member of SACCOS;
- (d) approval of the acquisition or disposal by SACCOS of any movable and immovable property;
- (e) discussing the implementation of the Cooperative Development Policy, the Act, these Regulations and By laws; and
- (f) approval of contracts and agreements which are required to be approved by the general meeting in accordance with the Act, these Regulations and By-Laws.

(2) Notwithstanding provisions of subregulation (1), the business of the ordinary

general meeting may be combined in a single meeting with the business of the annual general meeting described under these Regulations.

Special  
general  
meeting

36.-(1) Subject to the provisions of the Third Schedule of the Act, no special general meeting shall be held unless such meeting has been convened by at least one third of members or by the Board or by the Registrar.

(2) Unless otherwise prescribed for in the By-Laws where a special general meeting is convened by at least one third of members of the SACCOS or by the Board, such special general meeting shall have one specific agenda.

(3) The Registrar or any person authorized by him may summon and preside over a special general meeting of SACCOS in such manner and at such time and place as he may direct and may direct the matters or agenda to be discussed at that special general meeting provided that-

- (a) such special general meeting shall have the powers and subject to the same regulations in accordance with the By-Laws of the SACCOS; and
- (b) unless otherwise agreed, all expenses for any special general meeting shall be met by the SACCOS.

Delegates to the  
general  
meetings

37.-(1) A SACCOS may elect or appoint delegates to attend and have the right to vote at general meetings of middle or higher level cooperative societies for a specified period and such a delegate may be an ordinary member of the SACCOS or a member of the Board.

(2) A SACCOS may owing to its size and scope provide in its By-Laws for a constitution of a

meeting of delegates in place of all member general meeting through the creation of basic units whose delegates shall attend the general meeting of that cooperative society for and on behalf of members and such a delegate may be an ordinary member of SACCOS or a member of the Board.

(3) Every member SACCOS mentioned in sub-regulation (1) or the basic units mentioned in subregulation (2) shall be represented by at least two delegates to such general meetings.

Minutes of the general meeting

38.-(1) All businesses discussed or decided at a general meeting shall be recorded in a minute book which shall be signed by the Manager, and on confirmation by the next general meeting, be signed by the Chairperson of such general meeting.

(2) Unless the Registrar otherwise directs, each SACCOS shall, within thirty days from the date of general meeting, send copies of the confirmed minutes to the Registrar.

Election and Vetting of Board and supervisory committee members

39.-(1) Every member aspiring to be elected to the Board or supervisory committee shall-

(a) be a person with necessary requirements and competency as provided under Second Schedule;

(b) fill election form disclosing personal details, experience in leadership and other relevant particulars as provided for in the By-Laws of the SACCOS and the Registrar from time to time.

(2) The election supervising officer shall form an election committee of at least four people to supervise and monitor the election process.

(3) The members appointed to form election

committee shall be persons of recognized integrity with sound knowledge and experience in the activities of SACCOS, security, community development and any other related field as the case may be.

(4) The election supervising officer shall be chairperson of the election committee.

(5) Without prejudice to sub regulation (1), the following shall be functions of the election committee-

- (a) to determine the eligibility of candidates to be voted for in the general meeting;
- (b) to scrutinize the register of members to determine members who qualify to vote in the general meeting;
- (c) to announce names of candidates eligible for election in the general meeting;
- (d) to supervise all activities in respect of campaigns, voting and counting of votes during the election;
- (e) to announce the results of election in the general meeting; and
- (f) to perform any other function to ensure that the election is held in compliance with the Act, Regulations and By-Laws.

(6) Candidates to be voted for shall have scored fifty or more points out of One hundred.

(7) Counting of votes shall be done immediately after election and results shall be announced by the election supervising officer.

(8) A person shall not aspire to be elected to the Board or supervisory committee unless he has dully filled in the forms to declare his property in a property declaration Form 3 set out in the First Schedule of these Regulations.

(9) Any person who fails to declare his property breach the code of conduct and loses his eligibility to be elected as the member of the Board or supervisory committee.

Composition of the Board

40.-(1) Every Board shall consist of an odd number of not less than five and not more than nine members including the chairperson and vice chairperson.

(2) The Board and supervisory committee shall consist of both men and women, with full paid up shares.

(3) The Board shall consist of at least two members with basic knowledge of financial, or business, management or with accounting backgrounds or experience.

(4) A Board or committee member shall serve for a term of three years and may be eligible for re-election provided that such member shall not serve for more than two consecutive terms.

(5) A person shall not be permitted to hold the position of Board member in more than one SACCOS at the same time.

Conduct of the affairs

41.-(1) In the conduct of the affairs of the SACCOS, the Board shall exercise prudence and diligence in their decision making and shall be held, jointly and severally liable for any loss occasioned by their actions or omissions which are contrary to the Act and these Regulations.

(2) Without prejudice to subregulation (1), the Board shall-

(a) manage the affairs of the SACCOS democratically on the basis of principles, methods and procedures of cooperatives as described in the Act;

- (b) strive to satisfy the economic and social-cultural needs of its members;
- (c) improve the material living conditions of its members; and
- (d) promote cooperative education amongst its members.

(3) A Board meeting may be held only if a majority of the Board members is present and where a quorum is not present the meeting shall be adjourned and reconvened by the Board chairperson within seven days.

(4) Resolutions of the meetings are effective only when adopted by a simple majority of the members present and voting at the meeting.

(5) A quorum of the Board is a simple majority of the members and the case of a tie, the Board chairman shall have the deciding vote.

(6) Board member shall automatically cease to hold office if he fails to attend two consecutive quarterly Board meetings without permission or reasonable cause.

Board  
responsibility

42. The responsibilities of the Board shall be to-

- (a) make proposals for external borrowings;
- (b) ensure the SACCOS functions effectively comply with the provisions of the Act, these Regulations, the Registrar's circulars, code of conduct and the By-Laws;
- (c) ensure the accounts of the SACCOS are prepared and audited according to the Act, these Regulations and By-Laws;
- (d) establish appropriate policies for human resources, credit collections, investments, savings, finance, liquidity or



- asset liability management, information preservation, and other policies as determined by the Board;
- (e) set the interest rates for loans, savings and deposits taking into consideration the Manager's technical analysis used to determine the SACCOS' financial capacity to pay the interest and the local market rates for similar products;
  - (f) propose share dividend payments to the annual general meeting, with the approval of the Registrar if needed per the Capital Adequacy Regulation, only after all expenses, provisions and regulatory requirements have been met;
  - (g) upon delegation by the annual general meeting, appoint the credit committee from among the Board members or other qualified members who should have a credit and financial background and have knowledge of the members, their businesses and their financial capacity;
  - (h) develop, with the assistance of management, succession and disaster recovery plans and ensure the plans are tested periodically;
  - (i) meet regularly, and in any case not less than once quarterly in a year to deliberate and receive information on the condition of the SACCOS and provide oversight guidance and policy direction to the SACCOS management;
  - (j) ensure the SACCOS makes adequate provisions for known and probable losses as required by these Regulations;

- (k) ensure that the external auditor presents the financial statements and the findings of the external audit to the annual general meeting.
- (l) review and approve the annual budget which shall include an income statement and balance sheet and the strategic business plan or any other program or plan;
- (m) approve financial statements;
- (n) facilitate the inspection of the books by any person authorized to inspect them;
- (o) approve all loans made to Board and committee members, SACCOS management and their related parties;
- (p) make investments of excess liquidity in institutions per the Act, these Regulations and in accordance with the SACCOS investment policy;
- (q) propose for any external borrowings;
- (r) procure adequate insurance when necessary and available to protect the assets of the SACCOS;
- (s) ensure the By-Laws, or the contract binding members to deal with the SACCOS are observed;
- (t) perform the vetting of prospective candidates for SACCOS Manager, hire the Manager and arrange for their appointment on contracts;
- (u) supervise the SACCOS Manager, provide reprimands if performance is appraised as being inadequate, and terminate his contract for cause such as the accounting records have not been reconciled for two consecutive months;

- (v) report to the Registrar within fifteen days, the appointment, resignation or removal of the SACCOS Manager;
- (w) suspend any member of the Board who does not comply with the requirements of the Act, rules, Regulations and By-Laws pending the decision of the annual general meeting;
- (x) oversee the opening and use of SACCOS bank accounts;
- (y) accept new members pending approval of the annual general meeting and ensure the member register is correct;
- (z) maintain an attendance register for all Board members who attend regularly scheduled Board meetings;
  - (aa) record all business discussed at the Board meeting in the authorized minute book which shall be signed by the chairman of the meeting and such other persons as the By-Laws require;
  - (ab) abstain from being involved in the day to day work performed by the SACCOS Manager and staff, thus allowing them to perform their duties without interference, and likewise being held accountable for their actions;
  - (ac) ensure the SACCOS maintains a positive image within the industry and the community;
  - (ad) establish such number of Board or management committees as may be necessary to effectively discharge the Board's functions;

and

- (ae) attend Board meetings regularly as a member shall automatically cease to hold office if he fails to attend two consecutive Board meetings in a SACCOS that meets quarterly and three consecutive Board meetings for a SACCOS that meets monthly without permission or reasonable cause.

Board members  
not to be  
remunerated

43. A Board or committee member of a SACCOS shall not receive remuneration in the form of a salary for services rendered to the SACCOS except that-

- (a) a Board or committee member may be reimbursed for necessary expenses incurred while fulfilling his official responsibilities; and
- (b) a Board or committee member may receive honorarium as approved by the annual general meeting, provided that all capital adequacy and provisioning for loss requirements have been met.

Code of conduct

44.-(1) Every SACCOS shall prepare a code of conduct in line with the code of conduct provided in the Act.

(2) A related parties shall not at any one period, serve on the Board and management position.

Disqualification  
of a Board  
member

45. A Board member shall cease to hold office if that member-

- (a) ceases to be a member;
- (b) becomes of unsound mind;

- (c) does not have the necessary experience or educational background to be on the Board;
- (d) is convicted of any offense or is sentenced to imprisonment;
- (e) accepts a salaried position in the SACCOS;
- (f) resigns voluntarily;
- (g) violates the Code of Conduct;
- (h) is found to have a conflict of interest that will affect his ability to serve as an impartial Board member;
- (i) is found to have loans that violate the SACCOS policies;
- (j) is a part of a Board which has failed to prepare the statement of accounts within a period of three months after the end of a financial year as described in the Act;
- (k) has without reasonable cause missed two consecutive Board meetings where such meetings were held on quarterly basis, or three consecutive Board meeting where such meetings were need on monthly basis;
- (l) has loans or other obligations delinquent more than sixty days provided that notice is given to the Board member after thirty days delinquent and the member will have thirty days to bring the loan current;
- (m) has been expelled by the annual general meeting; or
- (n) has reached the term limit of six consecutive years in office.

- Information disclosure
46. Officers and employees of the SACCOS shall not disclose or permit to be disclosed any information which concerns an account or transaction of a member with the SACCOS.
- Composition of supervisory committee
- 47.-(1) Every SACCOS supervisory committee shall be comprised of three members including the chairperson.
- (2) At least one member of the committee shall have accounting or financial experience with an understanding of standards and Regulations on audit, accounting and finance.
- Responsibility of supervisory committee
- 48.-(1) The responsibilities of the supervisory committee shall be to-
- (a) periodically review the accuracy of the account records;
  - (b) report at each Board meeting on the activities of the committee since the last Board meeting;
  - (c) make recommendations to improve policies, operational procedures and internal control and follow-up on their implementation;
  - (d) prepare the annual audit report and present it to the annual general meeting;
  - (e) propose to the Board for external auditors to conduct the next annual audit; and
  - (f) perform other duties in accordance with the Act, these Regulations and its By-Laws.
- (2) The supervisory committee may delegate their internal auditing responsibilities to a qualified, independent internal auditor.

Appointment of  
the credit  
committee

49.-(1) The credit committee shall consist of three members appointed by the annual general meeting or the Board from among themselves with the following qualifications-

- (a) lending experience;
- (b) the ability to analyze the member's financial condition and cash flow;
- (c) knowledge of the membership; and
- (d) local businesses and the economic environment.

(2) The credit committee may delegate its loan approval in whole or in part, to a technical loan committee that may be made up of employees and officers of the licensed SACCOS.

(3) The technical loan committee shall consist of not more than five members.

(4) Where lending authority is delegated to the technical loan committee, the committee shall prepare a report for each regular Board meeting summarizing all of their lending activities.

Duties of the  
credit or  
technical loan  
committee

50.-(1) The credit committee or technical loan committee shall-

- (a) meet as often as required by the volume of business referred to the committee for decision or review, but no less than once a quarter and its decisions shall be taken by a majority vote of the members and noted in the minutes of the meeting;
- (b) provide counselling to members in the prudent use of credit;
- (c) review applications for loans and make decisions upon such applications within the authority of the committee and per the credit policy;
- (d) ensure that adequate collateral is given

for each loan and the SACCOS has a lien or control over the collateral until the loan is paid in full;

- (e) act upon the request of the members with respect to amendment of the terms and conditions of a loan provided that such amendments are in line with SACCOS' loan policy;
- (f) ensure that loans are used for the purpose for which they were made;
- (g) give preference to smaller loan applications if the need and credit factors are equal, should adequate funds not be available to meet all loan demand; and
- (h) perform other duties in accordance with the Act and these Regulations.

(2) The lending authority and any restrictions for the credit or technical loan committees shall be stated in the loan policy.

(3) Under no circumstances shall an individual disburse a loan for an application that he has approved.

Appeal against the decision of the committee

51. A SACCOS member may, in writing, appeal against a loan decision made by the technical committee to the credit committee and a loan decision made by credit committee to the Board members who shall have the final authority.

Employment and responsibilities of the SACCOS Manager

52.-(1) Every SACCOS shall employ a Manager with accounting, finance, management or business educational background to carry out its day to day activities.

(2) The Manager shall have the following responsibilities:



- (a) implement and adhere to the Act, Regulations, policies, procedures, By-Laws and the code of conduct;
- (b) ensure the operating and reporting systems are efficient and facilitate communication;
- (c) prepare the annual budget and strategic business plan in consultation with the Board members;
- (d) be responsible for meeting operational targets and objectives;
- (e) be responsible for all staff matters, particularly human resource development and training;
- (f) represent the SACCOS in contracts and contractual dealings along with at least one Board member;
- (g) ensure the books are closed periodically, accounting records are up-to-date and reconciled with the individual account subsidiaries prior to producing the financial statements;
- (h) the income statement, statement of financial position and delinquency report are complete and correct;
- (i) provide management reports at the Board meetings that discusses the financial condition of the SACCOS by reviewing the current statement of financial position , income statement, delinquency report, annual budget and key trends and ratios;
- (j) authorize budgeted expenditures within the authority given by the Board and sign all documents that disburse SACCOS funds within SACCOS policy

- limitations;
  - (k) assist the Board in setting interest rates and the fees and charges for all products and services offered;
  - (l) assist the Board in determining acceptable types of collateral that can be used to secure loans;
  - (m) ensure there is adequate liquidity to meet loan demand, savings withdrawals and operating expenses;
  - (n) oversee the opening and use of bank accounts;
  - (o) recruit or dismiss personnel, implement the payroll, allowances and other payments as approved by the Board, award and promote personnel or apply disciplinary actions against offenders;
  - (p) provide all required information to the responsible entity in a timely manner;
  - (q) implement recommendations set forth in the external and internal audits and inspection reports issued by the responsible entity; and
  - (r) perform other duties and responsibilities assigned by the Board.
- (3) In discharging his responsibilities under subregulation (2), the Manager shall be responsible to the Board.

PART V  
CAPITAL ADEQUACY

Minimum capital requirements

53.-(1) For the purpose of meeting minimum capital requirements, every SACCOS shall adhere to the following:

- (a) core capital of not less than eight percent of total assets of which at least six percent is institutional capital and not more than two percent is made up of membership shares;
- (b) institutional capital of not less than six percent of total assets;
- (c) net Institutional Capital of not less than six percent of total assets; and
- (d) all aforementioned ratios are subject to the Transitional Provisions.

(2) Without prejudice to sub-regulation (1), the Commission may require higher minimum capital adequacy ratios for a SACCOS if the SACCOS-

- (a) has losses resulting in a capital deficiency;
- (b) has significant exposure to risk;
- (c) has a high, or particularly severe volume of poor quality assets; or
- (d) is growing rapidly without adequate capitalization and risk management.

Prohibition on capital transfer

54. Unless otherwise directed by the commission a SACCOS shall not transfer funds from the capital or statutory reserve fund if the institutional capital ratios are less than the minimum ratios required.

Disposal of net surplus

55. Subject to the By-Laws, a SACCOS may dispose any remaining net income after all expenses and costs have been paid and capital requirements met as prescribed under regulation 53 for the following purposes:

- (a) dividends on shares in form of cash or deposited into the member shares;

- (b) contribution to a development fund or transitory capital account;
- (c) contribution to any charitable, educational, medical or other purpose in accordance with the Act; or
- (d) payment of honoraria to the Board and other unsalaried officers; and such other payments as approved by the annual general meeting.

Reserve funds  
and payment of  
dividends

56.-(1) Every SACCOS shall build their reserve fund and their institutional capital by retaining at least twenty percent of the net income after all expenses and costs have been paid in the reserve fund:

Provided that the institutional capital ratio is not less than six percent.

(2) A SACCOS shall not pay dividend on shares unless institutional capital and net institutional capital to total assets ratios are equal to the minimum established.

(3) Dividend payments to members shall not be made, if the amount in the statutory reserve fund is inadequate to cover accumulated SACCOS losses and the net surplus shall be transferred to the reserve fund until the account balance is sufficient to cover all losses.

(4) Notwithstanding the provisions of sub-Regulations (2) and (3), the Registrar may approve the payment of dividends.

(5) Unless otherwise directed by the Registrar, any SACCOS shall not use institutional or core capital account as collateral on external borrowing.

Requirement of

57.-(1) Where a SACCOS' institutional, net

capital growth plan institutional or core capital falls below the minimum required ratios or the SACCOS does not meet the short-term transitional increases, the SACCOS shall within thirty days of the shortfall send to the Registrar a capital growth plan.

(2) The capital growth plan provided under sub-regulation (1) shall state at a minimum the following:

- (a) the reasons for the decline in capital;
- (b) the date the capital fell below the minimum requirement;
- (c) the steps management plans to take to increase the capital back to the minimum requirement; and
- (d) the projected capital ratios as of the end of every quarter.

(3) Where any SACCOS fails to meet its capital adequacy requirements, the commission may apply sanctions as provided for in the Act and these Regulations.

PART VI  
SHARES AND SAVINGS

Establishment of a savings mobilization policy 58. Every SACCOS shall establish a share and savings mobilization policy which shall at a minimum prescribe-

- (a) terms and conditions of opening, operating and closing accounts;
- (b) interest rate calculations and payments, dividend payments; and
- (c) penalties and other charges.

SACCOS minimum membership and voluntary shares 59.-(1) Every SACCOS shall prescribe a minimum number of shares at a par value for which an individual shall subscribe to become a

member.

(2) Without prejudice to subregulation (1), a SACCOS may accept voluntary shares from their members.

(3) Voluntary shares may be used as collateral for a SACCOS loan provided that, membership shares shall not be used as collateral for a SACCOS loan.

Maintenance of accounts for each member

60.-(1) Unless otherwise directed by the Commission, a SACCOS shall only use voluntary shares and savings as collateral for a loan.

(2) A SACCOS shall use one or more passbooks to record all transactions.

Terms of membership and voluntary share withdrawal

61.-(1) The member shall not withdraw membership shares unless-

(a) the member terminates membership or passes away;

(b) the most recent financial statements have been audited; or

(c) SACCOS has an accumulated net profit.

(2) The voluntary share or savings may be withdrawn any time provided that it is not tied up with any member's loan as collateral.

(3) Any amount of membership, voluntary shares or savings withdraw exceeding the specified amount in the By-Laws shall require an additional notice of fourteen days in writing on the intention to withdraw the amount.

(4) The rates, terms and conditions for any account of an officer, employee, or their related parties shall not be in any way more favourable than those offered to other SACCOS' members.

(5) Subject to sub-regulations (2), (3) and (4), a member's account shall not be allowed for

withdrawal of funds when the funds in such account are not sufficient to cover the withdrawal.

Treatment of  
dormant  
accounts

62.-(1) A SACCOS shall deem an account as dormant if no transactions have been made for a period of one year and shall maintain a separate account to record all transactions.

(2) A SACCOS shall deem an account abandoned if a member or his legal representative has not contacted the SACCOS in person or in writing within a period of five years, or has otherwise not indicated an interest in the funds.

(3) Where funds have been deemed abandoned, pursuant to sub-regulation (2), a SACCOS shall give a ninety day notice to the member or representative at their last known address that the account will be closed and the amount transferred to SACCOS reserve fund account.

(4) Where the legal representative is reached but not the member, the Board may transfer the abandoned funds to the legal representative.

(5) Where the member or legal representative cannot be reached, the Board with approval of the annual general meeting may transfer the funds to a SACCOS reserve fund account and the member or other interested party shall be informed by way of notice of the action taken using the last known address.

(6) Where a dormant member returns and contacts the SACCOS in respect of his dormant account the SACCOS shall reactivate his account and restore the old balance.

## PART VII

LENDING REQUIREMENTS

SACCOS lending policy

63.-(1) Every SACCOS shall have a written lending policy consistent with these Regulations and other applicable Laws.

(2) The Board shall review and revise the lending policy at least annually and at minimum, the policy shall contain the following:

- (a) lending procedures and documentation;
- (b) eligibility requirements for a loan;
- (c) permissible loan purposes and acceptable types of collateral;
- (d) loan concentration limits;
- (e) terms and conditions such as loan types, interest rates and frequency of payments;
- (f) maximum loan size per product;
- (g) limitations on the loan amount as compared to the collateral value;
- (h) determination of the borrower's ability to repay the loan;
- (i) terms and conditions for loans to officers and employees;
- (j) maximum loan approval levels for the technical and credit committees;
- (k) guaranteeing requirements;
- (l) monitoring and evaluation of credit quality;
- (m) the grace period, if applicable; and
- (n) loan recovery and follow-up procedures.

Loan application

64. Every application for a loan shall be made on a Standard form prescribed by a particular SACCOS and shall state at a minimum



the following:

- (a) the loan purpose;
- (b) the loan amount requested;
- (c) the collateral offered, if any;
- (d) the member's relevant personal information;
- (e) marital status;
- (f) number of dependents;
- (g) place of employment;
- (h) current income;
- (i) expenses and assets;
- (j) other loans outstanding; and
- (k) such other information as may be required.

Loan approval

65.-(1) A SACCOS officer or technical committee shall not grant a loan without the approval of the credit committee unless the credit committee has formally delegated its loan approval authority.

(2) The credit committee or its designee shall require partial or total security to be given on all loans.

Loan security

66.-(1) Before granting a loan, a SACCOS shall ensure that the loan is fully secured.

(2) A member shall secure a loan by voluntary shares, savings, time deposits or goods provided that such loan shall not exceed ten percent of core capital.

(3) Where a loan to a member is not fully secured by voluntary shares, savings, time deposits or goods the loan shall not exceed five percent of core capital.

(4) Where a loan involves collateral, such collateral shall be in the SACCOS possession and

shall have been properly documented and registered thereby giving the SACCOS the ability to legally take possession of the collateral, if needed.

(5) All collateral appraisals shall be performed at an "arm's length" transaction by an independent registered valuer provided that under no circumstances may the member select the valuer for his collateral.

(6) All fixed property used as security for a loan shall be located within the common bond area of the SACCOS' office and in any case, not outside the Republic of Tanzania.

(7) Where the owner of the collateral is not the borrower, the borrower must have written legal permission to use the collateral to secure the loan.

(8) Every SACCOS shall maintain a register of all collaterals received for securing loans and such register shall include all necessary particulars of the collateral.

(9) The membership shares shall not be used as collateral for loan granted by SACCOS.

Loan guarantee

67.-(1) A member may guarantee a loan to another member if such a member-

- (a) does not guarantee more than one loan at a given time; and
- (b) proves that he has sufficient income to make the payments in the case of default.

(2) A SACCOS shall adequately inform every guarantor of the nature of his liability prior to signing an agreement creating guarantor liability.

(3) Where a SACCOS recovers a loan from the guarantor, the SACCOS shall issue a certificate of payment to the guarantor acknowledging

repayment.

Loan granting  
and maturity

68.-(1) Unless otherwise directed by the Commission, a SACCOS shall grant loan to its members only.

(2) A SACCOS shall only grant loans with maturities of not more than-five years.

(3) A SACCOS shall charge loan fees to recover costs associated with the granting of a loan.

(4) Where the liquidity is low, a SACCOS shall give preference to smaller loans and to those that have a short repayment period and loans for verified member emergencies.

(5) A SACCOS shall not grant a loan to a Board or Committee member, employee or his related party unless such loan has been approved by a majority vote of the Board or Committee members as the case may be.

(6) Where a member is attending the meeting in which his loan is being considered he shall excuse himself from the meeting when his loan application is being discussed.

(7) A SACCOS shall not offer to an officer, employee, or his related party rates, terms and conditions of a loan which are more favourable than those offered to other members.

(8) A SACCOS shall not lend additional fund to its employees and officers if the total outstanding amount of their total loans is more than five percent of total assets of the SACCOS.

(9) Unless otherwise provided, no officer, or his related parties shall receive anything of value or other compensation in connection with any loan made by the SACCOS.

Setting interest rate, fee and penalties                      69. Unless otherwise directed by the General meeting, the Board may set the interest rate, fee and penalties for loan which shall be reviewed from time to time.

Grace period and loan repayment                      70.-(1) A SACCOS may grant a grace period to the borrower as may be provided for in the loan contract the SACCOS Lending Policy.  
(2) A member may repay a loan prior to its maturity in whole or in part on any business day without being penalized.

PART VIII  
LOAN DELINQUENCY AND PROVISIONING

Loan collection policy                      71. Each SACCOS shall have a written loan collection policy that shall be reviewed at least annually and shall at a minimum establish-

- (a) a period at which loan collections shall be activated in respect to delinquent loans;
- (b) a description of the various stages of the collection procedure;
- (c) the criteria and procedure, including approval procedure and authorization required for extending or restructuring of loans and for transferring member's voluntary shares; and
- (d) the criteria and procedure for approval and authorization required for writing off bad loans.

Delinquent loan                      72.-(1) Any loan in which the payment made is less than a full payment as per contractual terms shall be considered delinquent.  
(2) A loan shall be considered to be past

due thirty days after the missed payment regardless of whether such loan is for interest only or interest and principal payments.

(3) A group loan shall be considered delinquent in its entirety when the full payment has not been made for the group loan.

(4) The day on which the loan shall be reported delinquent depends on the loan repayment schedule.

(5) A loan shall be considered a reportable delinquent loan after one full loan payment has been missed regardless of whether the payment is made daily, weekly, monthly, or for a longer duration.

(6) A SACCOS shall prepare a delinquency report within fifteen days after the end of the period to which the report relates and ensure that such report is signed by an authorized SACCOS officer and posted in the office for member review.

(7) The delinquency report prescribed under sub-regulation (6) shall include-

- (a) member's name, his full address and personal contacts;
- (b) the date and terms on which loan was granted;
- (c) the original and outstanding loan balances;
- (d) names of guarantors and security pledged; and
- (e) any other relevant information.

Delinquency  
calculation and  
classification

73.-(1) The delinquency calculation for single payment of loan is based on the loan agreement.

(2) Where a single payment comprised of principal and interest is due at loan maturity, the

loan shall be considered delinquent after thirty days have passed from maturity.

(3) When reporting a single payment loan as delinquent, the total principal balance shall be included.

(4) When disclosing delinquency, the entire outstanding loan balance shall be reported as delinquent and shall not be the amount of the payments missed.

(5) Where only loan interest payments are due throughout the life of a loan, delinquency shall be calculated on the payment or no payment of interest amounts provided that the entire principal balance is reported delinquent regardless only interest payments were missed.

(6) Where there is a loan balance outstanding at loan maturity, the reported delinquency shall be computed from the last date the payment was made until all payments are current.

(7) Delinquency shall be calculated monthly and such delinquency shall be reported as of the last day of the month and classified into the following categories:

- (a) *Watch* - principal instalments or interest are in arrears 31-90 days;
- (b) *Substandard* - principal instalments interest are in arrears for 91 - 180 days;
- (c) *Doubtful* - principal instalments interest are in arrears between 181-365 days; and
- (d) *Loss*: loans that are considered uncollectible or of such little value that their continued recognition as an asset is not warranted and principal

instalments or interest are in arrears more than 365 days.

(8) Without prejudice to the provisions of these Regulations, the Commission may require more severe classifications of specific loans or additional provisions upon the following:

- (a) general deterioration in the loan portfolio;
- (b) a change or absence of adequate provisions for loan loss;
- (c) abnormal losses within a particular loan type;
- (d) weak delinquent loan collections;
- (e) a concentration of large or risky loans;
- (f) negative trends and conditions in sectors or industries the SACCOS serves; and
- (g) natural disasters that affect the borrower's ability to repay.

Delinquency  
provisioning

74.-(1) Every SACCOS shall fund the Allowance for Loan Loss based on delinquent loans as follows:

- (a) 10% of outstanding balance for a loan classified as watch;
- (b) 30% of outstanding balance for a loan classified as substandard;
- (c) 50% of outstanding balance for a loan classified as doubtful; and
- (d) 100% of outstanding balance for a loan classified as loss,

Provided that full funding of the Allowance for Loan Loss account is subject to the Transitional Provisions.

(2) Every SACCOS shall classify its loan portfolio based on performance against the terms

provided in the loan contract.

(3) A loan shall be provisioned for if the contractual payment of principal or interest is not received within thirty days of the payment due date.

(4) The entire principal balance shall be classified even where the missed payment was for interest only, except where a grace period has been provided.

(5) Where only loan interest payments are due, loan classification will be based on the defaulted interest payments.

(6) A SACCOS shall not, when a loan is adversely classified, provide any additional funds to the borrower either for the current loan or in the form of a new loan.

Penalties for delinquent loan

75.-(1) A SACCOS may grant a borrower a grace period in which interest shall continue to be earned.

(2) A SACCOS may charge a late penalty on any loan which remains unpaid after its due date.

(3) Without prejudice to sub-regulation (2), no SACCOS shall charge an additional late penalty when the amount of delinquent on a loan is attributable to late payments.

(4) The delinquent ratio shall not exceed five percent.

Loan portfolio review and recovery of delinquent loan

76.-(1) Every SACCOS shall, at least for every quarterly period, undertake to review its loan portfolio so as to ensure that-

(a) lending conforms to the approved credit policy;

(b) problem accounts are adequately identified and classified in accordance



with the classification criteria prescribed in these Regulations; and

(c) an adequate level of provisioning for potential losses is made and maintained at all times.

(2) Where a loan is classified as a loss, the SACCOS shall make recoveries from voluntary shares and savings in which the funds were used as collateral, from the guarantors and may proceed to collect on any other collateral pledged as security.

(3) A SACCOS may employ a debt collector to collect delinquent payments and fees as specified in the loan agreement.

(4) Notwithstanding the provision of sub-regulation (3), a debt collector shall collect his fees directly from a debtor.

Accrued income on delinquent loan

77.-(1) A SACCOS shall suspend the accrual of interest on delinquent loans and advances once a loan is ninety days delinquent.

(2) A SACCOS shall reverse accrued income on loans from the accrued income account.

(3) A SACCOS shall ensure that the amount of accrued income on the statement of financial position does not exceed the average monthly amount of loan interest income from the previous year.

Restructuring of loan

78.-(1) A SACCOS shall not restructure loans more than once.

(2) Any loan that is restructured or has an adjustment to the original terms shall not be classified at least as "substandard" unless the loan has a consistent payment history of at least six full payments made since the loan was restructured.

(3) Subject to subregulation (2), where six full payments are made, the loan may be provisioned for as any other current loan.

(4) A SACCOS shall report all restructured loans on a separate line on the statement of financial position.

(5) A SACCOS shall not capitalize loan interest into a restructured loan provided that all interest due must be paid prior to restructuring the loan.

Write-off policy

79.-(1) Every SACCOS shall develop a loan write-off policy which shall, at a minimum and specifically address-

- (a) the justifications for an increase or decrease of the Allowance for Loan Loss account;
- (b) the approval procedure for loan write off;
- (c) accounting procedures for recording an increase or decrease of the Allowance for Loan Loss account; and
- (d) the recognition of recoveries made after a loan is written off.

(2) A SACCOS shall write-off a loan from its Statement of Financial Position when-

- (a) the loan is more than 365 days delinquent;
- (b) the SACCOS has lost contractual rights over the loan;
- (c) the loan is deemed uncollectible;
- (d) there is no realistic prospect of recovery as a court has ruled against the SACCOS;
- (e) all collateral has been repossessed, valued and sold and the proceeds failed to cover the entire amount due,
- (f) a SACCOS is unable to collect or there is

no collateral, or efforts to collect the debt have been abandoned.

(3) Where a loan has been written-off in which the member has not declared bankruptcy, such loan shall be considered collectible and pursued.

(4) The loan described under subregulation (3) shall be maintained off-balance sheet and collection efforts shall continue.

(5) Without prejudice to sub regulation (3) and (4), all write off information shall be kept confidential so as not to create a disincentive for other borrowers to pay on time.

(6) Provisions shall be made for loans and all problem assets.

PART IX  
LIQUIDITY AND ASSET LIABILITY MANAGEMENT

Asset liability  
management  
policy

80.-(1) A SACCOS shall formulate, review and adjust the liquidity and Asset Liability Management policy of the SACCOS at least once every year.

(2) The policy described under Sub-regulation (1), at a minimum shall address the following:

- (a) the individual(s) responsible for liquidity and asset liability management;
- (b) establishment of a line of credit for liquidity purposes;
- (c) the individual(s) with access to the line of credit;
- (d) methods and ratios used to monitor liquidity and asset liability management;
- (e) types of liquid assets the SACCOS can hold and minimum and maximums for

liquid assets including the cash holding limit;

- (f) ratios used to measure liquidity and the standards used for those ratios as set forth in this regulation; and
- (g) the frequency for analyzing the liquidity and Asset Liability Management position.

Maintenance of cash reserve

81.-(1) A SACCOS shall maintain a cash reserve of fifteen percent in voluntary shares and savings to meet immediate liquidity demands.

(2) A SACCOS may keep cash on hand for petty cash needs only provided that the amount of cash on hand may not exceed the amount set forth in the By-Laws, provided that the net loans to assets ratio shall not exceed eighty percent.

External borrowing

82.-(1) In the course of borrowing, a SACCOS shall ensure that external borrowing does not exceed twenty-five percent of total assets.

(2) Without prejudice to By-Laws, every SACCOS shall from time to time fix at a general meeting, the maximum loans or capital deposits which it may secure from non-members including banks and financial institutions and the maximum so fixed shall be subject to the approval of the Commission.

Liquidity requirement

83.-(1) A SACCOS shall analyse liquidity needs not less than a month for the short -term measure and next twelve months for long measures to ensure that liquidity is adequate.

(2) A SACCOS shall put in place a contingency plan to handle liquidity crises.

(3) A SACCOS shall, not less than quarterly,

review and manage the statement of financial position of the interest rate risk.

PART X  
INVESTMENT

Investment  
policy

84.-(1) A SACCOS shall, at least annually formulate, review and amend the investment policy.

(2) The investment policy described under Sub-regulation (1) shall be approved by the Commission before any investments are made.

(3) The investment policy shall, at minimum address the following:

- (a) Purpose and objectives of investment activities;
- (b) Investment characteristics and limitations;
- (c) The individuals with authority to make investments and the extent of their authority;
- (d) Contingencies put in place to address investments purchased prior to the approval of these Regulations; and
- (e) Any other relevant information.

Investment  
destination

85.-(1) A SACCOS may invest in the following:

- (a) deposit accounts of banks;
- (b) financial institutions and Government of Tanzania securities; and
- (c) licensed SACCOS or second tier organizations or other secondary cooperative societies that have received a satisfactory rating as of their last supervision contact.

(2) The investment may be in the form of a loan, savings, deposit or share account.

(3) Prior to making an investment, the Board shall consider liquidity needs and seasonal fluctuations in loan demand.

Investment  
maturity and  
risks

86.-(1) Except as provided in Regulation 85, no investment may be made with a maturity of more than one year.

(2) A SACCOS shall not keep in a single bank or financial institution deposits of an amount in excess of twenty five percent of its core capital.

(3) Where there is only one bank or financial institution in an area, the Commission may grant an exception to sub-regulation (2).

(4) Every SACCOS shall make financial investments with the intention of "holding to maturity".

(5) At no time shall the portfolio be used to trade securities for profit, placing the SACCOS capital at risk.

(6) Each investment shall have a subsidiary ledger detailing the type of investment, amount, interest rate, maturity and individual that approved the investment.

(7) Every SACCOS shall keep all original investment documentation in a fire-proof safe.

Waiver and  
investment  
reporting

87.-(1) A SACCOS Management shall, not less than quarterly, provide an investment report to the Board with the following information:

- (a) all investments held by the SACCOS;
- (b) interest rate;
- (c) maturity date and other applicable terms;
- (d) investment activity for the month such

- as buying and selling, principal repayment, interest repayment;
- (e) comparison of the book value to the current market value where possible;
- (f) adequacy of provisions established for investment loss; and
- (g) any relevant information.

(2) A SACCOS shall not invest in non-earning assets or property and equipment more than ten percent of total assets provided that land and buildings shall not exceed five percent unless a waiver to that effect has been granted by the Commission.

Acquisition and disposal

88.-(1) A SACCOS may dispose property acquired, if the property remains unutilized for two years from the date of acquisition.

(2) Unless otherwise approved by the Commission, a SACCOS shall not acquire, sell, or lease premises from the following:

- (a) a Board member, committee member, employee or immediate family member of any such members; and
- (b) businesses in which any of the persons named in paragraph (a) are an officer, partner or has an interest of greater than 10% in the business or partnership.

(3) Without prejudice to subregulation (2), all transactions with business associates or related parties not specifically prohibited shall be fully disclosed, conducted at arm's length and in the best interest of the SACCOS.

## PART XI DISPOSAL OF FORECLOSED PROPERTY

Repossession of property

89.-(1) Where a SACCOS repossesses property on account of a delinquent loan, the property shall be transferred to the SACCOS books at the lower of the outstanding loan balance or its current market value.

(2) The current value described under Sub-regulation (1) shall be established by an appraisal.

(3) All collateral appraisals shall be performed at an "arm's length" transaction by an independent, registered valuer provided that any losses due to the loan balance being greater than the established value shall be charged to the Allowance for Loan Loss when the asset is transferred to the SACCOS books.

(4) Subject to sub-regulation (3) any declines in the value of the property while on the SACCOS books shall be charged to a provision account established specifically to recognize the decline in value on the SACCOS statement of financial position.

(5) A SACCOS shall not make charges to the Allowance for Loan Loss for any subsequent declines in value.

(6) A SACCOS shall incur any direct costs and expenses associated with the acquisition of the title to the property and its maintenance.

Disposition of possessed property

90.-(1) A SACCOS shall advertise publicly and dispose the property used as collateral for a loan provided that the SACCOS is in possession of such property.

(2) Disposition of the property made under Sub-regulation (1) shall be by way of sale and shall occur within three years from the date of possession by the SACCOS.

(3) Where the proceeds from the



disposition of the property exceeds the amount owing by the member, the excess amount shall be refunded to the member after accounting for advertising expenses and any other expenses or charges related to disposition of such property.

(4) Where a SACCOS is not able to dispose the property in a year, the SACCOS shall reduce the value of the property by fifty percent each year for two years until the value is zero.

(5) The reduction in the property shall be made through a provision account designated for the write down provided that after the third year, the property shall be written off the accounting records.

(6) A SACCOS shall maintain adequate written documentation which shall provide evidence of management's efforts to dispose the property within the time frame established in these Regulations and shall include any legitimate offers to buy the property.

## PART XII

### RECORD PRESERVATION AND DISASTER PREPAREDNESS

Records  
preservation  
policy

91. A SACCOS shall formulate a records preservation policy which shall address information preservation, risk management and business continuity provided that such policy may be reviewed and amended on annual basis.

Records  
preservation

92.-(1) A SACCOS shall on a daily basis copy all its critical information using a memory device and store the records in a fireproof safe provided that such records shall include the following:

(a) membership, voluntary shares, savings

- and time deposits;
- (b) loan balances for each member's account; investments and bank balances;
- (c) all transaction activities for each account in the statement of financial position and income statement; and
- (d) financial report which lists each asset, liability and equity accounts and the balance.

(2) Subject to subregulation (1), a SACCOS shall at least monthly store backups of the information in a location far enough from the SACCOS to avoid simultaneous loss of records during disaster.

(3) A SACCOS shall maintain an information preservation log which shall include the type of records stored, location of storage, the date the records were stored, the person who sent such records and any other relevant information.

(4) A SACCOS shall keep copies of vital records at an offsite location which shall include copies of:

- (a) registration and licensing documents;
- (b) the Cooperative policy, the Act, these Regulations and by-laws;
- (c) titles for property and equipment owned by the SACCOS;
- (d) securities pledged by borrowers;
- (e) external borrowing agreements and relevant SACCOS policies; and
- (f) Any other relevant information.

Disaster  
preparedness  
plan

93.-(1) A SACCOS shall formulate and at least annually review a disaster preparedness plan.

(2) The size and sophistication of disaster preparedness plan shall and such plan shall at a minimum address:

- (a) the interval at which the plan shall be reviewed and tested;
- (b) the person responsible for implementing, monitoring, evaluating and reviewing the plan;
- (c) the duties and responsibilities of the officers for assessing the situation, providing information, and establishing member service;
- (d) identification of alternative locations with the necessary equipment to maintain critical operations for a sufficient time period in the event of a disaster;
- (e) identification of the critical information needed to operate the SACCOS in case of disaster;
- (f) a security plan designed to protect the SACCOS' premises; and
- (g) a suitable standby power backup.

PART XIII  
ACCOUNTING AND AUDIT

Chart of  
Accounts and  
financial year

**94.**-(1) A SACCOS shall use the standardized chart of accounting and reporting as provided by the Commission.

(2) Notwithstanding the provisions of subregulation (1) every SACCOS shall provide a report in accordance with the best accounting standards.

(3) For the purpose of accounting, auditing and reporting, a financial year of a SACCOS shall commence on 1st January and ends on 31 December of each year.

Production of financial statements

**95.**-(1) A SACCOS shall, at least quarterly and annually produce financial statements.

(2) Every SACCOS shall post its annual financial statements and external audit report in its main office for member's review.

(3) A SACCOS shall, within four months from the fiscal year-end and fourteen days from the receipt of the audit report, submit to the Commission copies of annual financial statements and audit report respectively.

Internal audit

**96.**-(1) Every SACCOS shall have an internal audit commensurate with the SACCOS' size and risk.

(2) The internal audit shall be performed by a qualified independent person employed by the SACCOS or by the supervisory committee.

Internal audit plan

**97.**-(1) A SACCOS shall develop the internal audit plan which shall address the following-

- (a) identification of the scope and frequency of work to be carried by the SACCOS.
- (b) verification of cash without prior notification;
- (c) bank account reconciliation;
- (d) verification and review for correctness;
- (e) reconciliations between the general ledger balances and the subsidiary ledger balances;
- (f) checking loan files for compliance;
- (g) verification of the SACCOS' assets and investments;
- (h) ensuring all provision for loss accounts are adequate;
- (i) checking for compliance with policies and procedures;
- (j) checking for compliance with the Act, legislation and these Regulations;
- (k) checking minutes and management reports to the Board and other committees for

- compliance and assessing regularity and completeness;
  - (l) evaluation of the reliability of the information produced by the SACCOS accounting and computer systems;
  - (m) determining that reports and information submitted to the Commission are accurately and timely provided;
  - (n) determining whether accounting procedures and controls are adequate;
  - (o) verification that management has implemented and maintains appropriate internal controls throughout the SACCOS;
  - (p) assistance with the selection of the external auditor; and ensuring that all internal and external audit findings and recommendations are implemented as agreed upon.
- (2) The supervisory committee shall, at least annually review the effectiveness of the internal audit in respect of the following:
- (a) the scope and adequacy of the planning and work performance for internal auditing;
  - (b) the regularity and level of reporting on matters arising from the audits;
  - (c) the application and implementation of the points and recommendations by the auditors;
  - (d) a review of the overall effectiveness of the internal audit function; and
  - (e) any other matter necessary to ensure effectiveness of internal audit.

External audit

**98.**-(1) Subject to Section 55 of the Act, the accounts of a SACCOS shall be audited by a qualified and competent registered external auditor.

(2) Without prejudice to sub-regulation (1) an external auditor shall not perform the external audit of a SACCOS if such auditor:

(a) is related to officers or SACCOS employees;  
or

(b) is a member of the SACCOS.

(3) When an auditor carries out an annual audit of a SACCOS he shall at minimum examine and evaluate the following:

(a) membership and management structure;

(b) overall condition and correctness of the records including shares, deposits, investments, loans, and income and expense accounts;

(c) the quality of the loan and investment portfolios, delinquent loans and the probability of their repayment;

(d) reconciliations of cash and bank accounts;

(e) adequacy of the provision for losses accounts;

(f) management information system and internal control systems; and

(g) compliance with the Act, these Regulations, By-Laws and other applicable laws.

(4) The external auditor shall present the audited financial statements and audit report before the Annual General Meeting.

Auditors to have access

**99.**-(1) Auditors shall have access to any present or former SACCOS officer or employee to obtain information necessary for the purpose of the particular auditing.

(2) The external auditor shall inform the Commission of any irregularities or illegal acts committed by SACCOS officers or employees.

Presentation of audits to the Board

**100.**-(1) Subject to section 55(5) of the Act, upon completion of the audit, the external auditor shall meet with the Board and supervisory committee to discuss conditions of the SACCOS and the need for any immediate action to be taken by the Board to improve lending and other operations to protect member

interests.

(2) The supervisory committee or internal auditor shall follow up on all audit findings and recommendations to ensure that corrections are made within sixty days from receipt of the report.

Verification of accounts

**101.**-(1) The auditor may, annually carry out a random sampling verification of member account balances.

(2) Without prejudice to sub-regulation (1), account statements shall be sent to the members and such statement shall instruct the member to contact the auditor provided that any of the account balances are different from their records.

PART XIV  
INSPECTION AND SUPERVISION

Inspection of SACCOS

**102.**-(1) The Cooperative inspectors appointed under section 93 (1) of the Act shall have the following functions as regard to SACCOS:

- (a) to carry out off and on site SACCOS inspection;
- (b) to inspect a SACCOS to ascertain compliance with its By-Laws and policies in carrying out its operations;
- (c) to inspect operations and financial position of a SACCOS;
- (d) to assess the effectiveness of the instituted control over operations, monies and other assets of a SACCOS;
- (e) to advise SACCOS on matters that need immediate corrective measures before issuance of the report; and
- (f) to inspect other matters as the Commission may direct.

(2) The cooperative inspector shall have the following powers:

- (a) to enter at any reasonable time into any

premises of the SACCOS or any premises in which it is believed on reasonable grounds that books, records, accounts, or documents relating to the SACCOS' business are kept for the purpose of inspection;

- (b) to require any officer of the SACCOS to produce any of the institution's accounting, financial and non-financial records or documents;
- (c) to open or cause to be opened any strong room, safe or other container in which there are any of the SACCOS' securities, books, records, accounts, or documents;
- (d) to access, examine, make extracts and copy any of the SACCOS' securities, books, records, accounts, or documents; and
- (e) to exercise any other powers as the Commission may direct.

(3) A cooperative inspector shall not exercise any of his powers under this Regulation unless he shows his identity card or a letter dully signed by the Registrar or any other senior officer on his behalf authorizing him to conduct inspection.

(4) Any person other than cooperative inspector who conducts any of the activities of inspection of SACCOS or who exercises the powers of cooperative inspector without approval of the Registrar commits an offence and shall, upon conviction, be liable to a fine of not less than five million Tanzanian Shillings or to a imprisonment of a term of not less than twelve months or to both such fine and imprisonment.

(5) Any person who obstructs or hinders a cooperative inspector to conduct his duty of inspection commits an offence and shall upon conviction, be liable to a fine of not less than two million Tanzanian Shillings or to a imprisonment of a term of not less than six months or to both such fine and imprisonment.

Commission to

**103.** The Commission may prepare and issue



issue inspection and supervision guidelines	SACCOS inspection and supervision guidelines in relation to exercise of the functions and powers of the cooperative inspectors.
Inspection and supervision fee	<b>104.</b> Subject to section 139 of the Act, SACCOS shall pay an annual supervision fee based on their asset size, the costs associated with off and on site supervision as determined by the Commission from time to time.
Furnishing of supervisory information	<b>105.</b> -(1) The Commission shall require SACCOS to furnish to it, supervisory off-site reports quarterly in a year or as often as it deems necessary. (2) Where the Commission is not satisfied with the information submitted in the off-site reports, it may request additional information from the SACCOS.
Information sharing	<b>106.</b> The Commission shall share the following SACCOS information with the Bank of Tanzania on a quarterly basis: (a) number of registered and licensed SACCOS; (b) value of membership and voluntary shares, number of members and total assets; (c) geographical distribution; (d) total savings, time deposits for licensed SACCOS and total loans; and (e) any other relevant information as may be requested from time to time.
Information to be treated as confidential	<b>107.</b> Unless otherwise directed by the Commission, any information obtained in the course of inspecting and supervising SACCOS shall be treated as confidential and used solely for regulatory purposes.
Supervisory memorandum of understanding	<b>108.</b> -(1) Where it is proved that a SACCOS is not performing well and normal supervision procedures cannot remedy the situation, as a remedial measure, the Commission may enter into a Supervisory Memorandum of Understanding with the Board of that

SACCOS to remedy the shortcomings.

(2) In deciding which supervision action to take, the Registrar shall consider the following:

- (a) severity of the problem and the time needed to resolve the problem;
- (b) financial condition of the SACCOS;
- (c) protection of member funds;
- (d) disposition of management and the Board in the continuation of the SACCOS;
- (e) ability of management and Board Members to manage the SACCOS; and
- (f) local and macro-economic conditions.

(3) The Supervisory Memorandum of Understanding shall set forth specific corrective or remedial actions to be undertaken by the SACCOS within a specified time frame and shall be signed by the Board and the Commission.

(4) For the purpose of determining compliance with the Supervisory Memorandum of Understanding, the Registrar shall make periodic supervisory contacts and communicate with the SACCOS officers.

(5) The Commission shall consider the Supervisory Memorandum of Understanding to have been complied with and may rescind it, upon the SACCOS shortcomings being rectified and addressed.

(6) If the SACCOS fails to comply with the actions and time frames in the Supervisory Memorandum of Understanding, the Commission shall, at any time, consider its deregistration and cancellation of license.

Issuance of a  
cease and desist  
order

**109.**-(1) The Commission may issue a Cease and Desist Order directing the SACCOS to address the unsafe and unsound practices that have not been sufficiently addressed through other supervisory actions.

(2) The Cease and Desist Order may only be issued where a SACCOS has:

- (a) engaged or continues to engage in any

- unsafe business practice;
- (b) violated or continues to violate the Act, these Regulations, By-Laws or policies; or
- (c) failed or continues to fail to comply with the Supervisory Memorandum of Understanding.

Cease and desist order to be signed

**110.**-(1) The Cease and Desist Order issued pursuant to regulation 109 may be addressed to the SACCOS or applicable to any officer and, shall state the following;

- (a) the specific actions that shall be ceased;
- (b) a person who is supposed to cease from carrying out the actions; and
- (c) the time period in which the actions shall be ceased,

Provided that if necessary corrections are not made, the Commission may take a more forceful action to safeguard a SACCOS' assets and impose penalties as stipulated in the Act.

(2) The Cease and Desist Order shall be signed by the Commission and the SACCOS' Board and Manager.

Monitoring of compliance

**111.**-(1) The Commission shall make periodic on-site visits to determine the level of compliance with the Cease and Desist Order.

(2) The Commission shall waive the Cease and Desist Order upon correction of all material issues addressed in the Cease and Desist Order.

Prohibition of Board members

**112.**-(1) The Commission shall prohibit an individual seeking to be a Board member, committee member, or in senior management of a SACCOS if it has reasonable belief that he:

- (a) will pose a threat to the SACCOS' interest or impair its operations; and
- (b) the individual has been charged or convicted with a crime involving monetary loss, fraud,

perjury, or breach of contract with the SACCOS.

(2) Any person who has faced disciplinary action has been removed from a Board or from a senior management position under this Regulation shall not be eligible to hold office in any SACCOS.

Prohibition of business

**113.**-(1) The Commission may direct SACCOS not to conduct business or discontinue conducting business with any individual or firm that has been charged with a crime involving monetary loss, fraud, perjury, breach of contract or a crime that may pose a threat to the interest of the SACCOS or threaten to impair public confidence in the SACCOS.

(2) The Prohibition Order made pursuant to Sub-regulation (1) shall be signed by the Registrar and addressed to the Board and the prohibited party or entity and state specifically the reason(s) for the prohibition and that it shall take immediate effect.

Suspension of Board member

**114.**-(1) The Commission may suspend a SACCOS officer or Board member if he:

- (a) directly or indirectly violates the Act, Regulations, or By-Laws;
- (b) engages or participates in any unsafe or unsound practice in connection with the SACCOS;
- (c) has a loan that is more than three months delinquent; and
- (d) commits or omits any act, or practice that constitutes a breach of fiduciary responsibility, resulting in or likely to result in:
  - (i) a SACCOS suffering financial loss or other damage;
  - (ii) the members' interest being prejudiced; or
  - (iii) any party receiving financial gain or other benefit.

(2) A Board member shall not be suspended unless served with a reasonable notice signed by the Registrar which contain a specific statement of facts constituting the grounds for a suspension order and shall take immediate effect.

(3) Any person aggrieved by the suspension or Prohibition Order may appeal to the Minister within thirty days from the date of the order and the Minister shall, within thirty days make decision thereof.

PART XV  
CONSUMER PROTECTION

Shares, savings  
and deposit  
disclosure  
requirements

**115.**-(1) Every SACCOS shall in writing or verbally disclose the following information to its members and potential members the terms and conditions for each share, savings and time deposit.

(2) SACCOS shall provide account disclosures to a member or potential member upon request and before a share or savings account is opened and not later than loan closing.

(3) Where an account is held by more than one member or a loan is granted to more than one member, disclosures may be made to any one of the members.

(4) A SACCOS shall disclose the terms and conditions of a new loan it refinances to a member.

(5) In the case of dividend-bearing accounts, the SACCOS may disclose past rates or the prospective dividend rate and prospective annual percentage yield.

(6) A SACCOS shall ensure that disclosures state the method employed to calculate the dividend payment. -and clearly state that dividends may not be paid if current income is inadequate or the SACCOS does not meet all regulatory requirements.

Disclosures for  
interest bearing  
accounts

**116.**-(1) For interest bearing accounts, a SACCOS shall disclose the current interest rate and annual percentage yield as established by the Board Members and the method used to calculate the

interest.

(2) Any disclosures made pursuant to sub-regulation (1) shall clearly state whether the account has a fixed or variable interest rate.

(3) Any disclosure made for fixed rate accounts, shall include the time period for which the rate is fixed and the time when interest begins to accrue and when interest payments will be made.

(4) For variable rate accounts, the disclosures shall state the following:

- (a) the fact that the interest rate may change;
- (b) the way the interest rate is determined;
- (c) whether an index is used to establish the variable rate; and
- (d) the time when interest begins to accrue and when the rate will change.

Additional disclosures

**117.** In addition to the disclosure requirements under regulation 116, the following disclosures shall be made:

- (a) frequency of the dividend or interest calculation and the time the dividends or interest are paid or credited to an account;
- (b) forfeitures by members of dividends or interest when they close an account before dividends or interest have been credited to the account;
- (c) minimum balance requirements for opening an account;
- (d) the fees associated with each type of account and the conditions under which a fee may be imposed; and
- (e) any limitations on withdrawals, such as number of withdrawals within a period.

Disclosures when account terms change

**118.**(1) SACCOS shall give advance written notice to members affected by account changes as described above if-

- (a) the change reduces the annual percentage

- yield for share and savings accounts;
- (b) the increases in annual percentage rate for a loan, adversely affects the member; or
- (c) the terms of the initial loan, share or savings disclosure have changed.

(2) The notice given under sub-regulation (1) shall include the effective date of the change and be mailed or delivered at least thirty calendar days before the effective date of the change.

Advertisement disclosures

**119.**-(1) A SACCOS shall disclose all services or products offered to its members.

(2) The disclosure for share and savings accounts shall include the following:

- (a) the minimum balance required to earn the advertised annual percentage yield;
- (b) the minimum account opening deposit; and
- (c) any fees associated with opening the account and advertisements for time deposit which shall include the account term and any early withdrawal penalties.

(3) For variable rate accounts, disclosure shall state that the rate may change after the account is opened.

Cooling period off

**120.**-(1) A SACCOS shall grant borrowers a period of time known as a "cooling off period" of three business days to withdraw from a credit transaction without a penalty imposed.

(2) Unless a member waives the "cooling off period" no funds shall be disbursed until the cooling off period has expired.

Loan disclosures

**121.** For each loan transaction, a SACCOS shall disclose the following:

- (a) amount financed;
- (b) amount of finance charge including all interest and fees;
- (c) prepaid finance charge, if any;

- (d) the date as of which finance charges are assessed;
- (e) other charges in addition to the finance charges;
- (f) nominal or stated annual percentage rate;
- (g) effective annual percentage rate that includes finance charges and all fees;
- (h) maximum annual percentage rate that may be imposed during the term of the loan;
- (i) loan balance and interest rate computation method used to determine the loan balance on which the interest rate is calculated for each payment period;
- (j) payment schedule that includes the number of payments, total amount of each payment, the amount of each payment that is principal, interest and fees, and due date of each payment;
- (k) sum of all payments;
- (l) prepayment penalty, if any;
- (m) late payment penalty;
- (n) notice of security interest for collateral used to secure the loan; and
- (o) required savings or share amounts and if these funds may be used to pay past due loan payments.

Communicating reasons for loan refusal

**122.** Where a loan application is denied, the SACCOS shall within seven days communicate to the applicant the reasons for denial.

Disclosures to loan guarantors

**123.** A SACCOS shall give to the guarantor the disclosure statement in writing indicating his liability for the loan guaranteed and such statement shall include-

- (a) the name and address of the SACCOS;
- (b) the loan number;
- (c) amount and date; and
- (d) the guarantor's signature as evidence that the disclosure statement was received.



Debt collectors

**124.**-(1) A debt collector shall not harass, abuse or oppress any person in connection with the collection of a debt or engage in any conduct such as:

- (a) use of, or threat of use of violence or other criminal means to harm a physical person, reputation, or property of any person;
- (b) use of obscene or profane language; or
- (c) engaging any person in conversation or in person with the intent to annoy, abuse, or harass until they repay the debt.

(2) A debt collector may not use any false, deceptive, or misleading representation or means in connection with the collection of any debt such as-

- (a) the false representation of the character, amount, or legal status of any debt;
- (b) the false representation or implication that any individual is an attorney or that any communication is from an attorney;
- (c) the threat to take any action that cannot legally be taken or that is not intended to be taken; and
- (d) communication or threatening to communicate to any person credit information that is known to be false.

(3) A debt collector may not collect interest, fees, charges, or expenses unless they are mentioned in the loan agreement.

PART XVI  
MISCELLANEOUS AND TRANSITIONAL PROVISIONS

Capital adequacy plan

**125.**-(1) Every SACCOS shall make a written capital adequacy plan that provides short and long-term institutional capital which brings the capital to assets ratio to a minimum of six percent within five years from the date these Regulations come into effect.

(2) The plan shall establish the steps the SACCOS will take to meet the goals mentioned under

sub-regulation (1).

Loan  
provisioning plan

**126.**-(1) Each SACCOS shall make short-term and long-term written loan provisioning plan for building the allowance for loan loss account to fund the required amount within five years from the date these Regulations come into effect.

(2) A SACCOS shall make loan delinquency plan to reduce loan delinquency to a maximum of five percent within five years.

Reduction of  
external  
borrowings

**127.** Each SACCOS shall make a written external borrowing reduction plan on how to reduce external loans to no more than twenty-five percent of total assets within five years.

Additional period  
for compliance

**128.** Where a SACCOS is not able to comply with the requirements prescribed in Regulations 125, 126 and 127 of these Regulations, the Registrar may prescribe an additional period of not more than three years within which the SACCOS shall comply.

Notice of  
Cancellation or  
Suspension of  
SACCOS

**129.** The Commission shall publish the notice of cancelation or suspension of a SACCOS registration or license in the *Gazette*.

Dispute and  
complaints  
settlement  
procedures

**130.**-(1) Any dispute concerning the business of SACCOS between the members of the SACCOS or persons claiming through them or between a member or person so claiming and the Board or any officer, or between one SACCOS and another shall be settled amicably through negotiation or reconciliation.

(2) Where the dispute under sub-regulation (1) is not amicably settled within thirty days pursuant to sub regulation (1), such dispute shall be referred to the Registrar for arbitration through Form No. 13 appearing under the First Schedule to Cooperative Regulations.

(3) Reference to arbitration under sub-regulation (2) may be made by the Board or the

SACCOS by resolution in the general meeting or by any party to the dispute, or if the dispute concerns a sum due from a member of the Board to the SACCOS, by any member of the SACCOS.

(4) In making reference to the Registrar under sub-regulation (3), the claimant shall serve a copy of the reference to the respondent.

(5) On receipt of the reference under sub regulation (2), the Registrar shall endorse the date and send a copy to the respondent and all other parties who for his opinion may be interested in the proceedings.

(6) Upon receipt of a reference for dispute in terms of sub regulation (2), the respondent shall within fifteen days from the date of receipt, file a statement of reply to the Registrar.

(7) In resolving the dispute under this regulation, the Registrar may appoint a committee of experts and persons conversant with the cooperative matters and law to assist him in reaching appropriate decision or he may refer the matter to an independent arbitrator nominated after consultation with the parties to the dispute.

(8) Without prejudice to the proceedings provisions of this regulation, the Registrar may order a party to the proceedings to supply any document that may be necessary for the settlement of dispute that has been referred before it.

(9) A person aggrieved by a decision of the Registrar under sub-regulation (3) may within thirty days of the receipt thereof appeal in writing against such decision to the Minister whose decision shall be final.

(10) In deciding the appeal the Minister shall not be confined to the legal procedures or technicalities.

(11) In the event of conflict between the By-Laws of a secondary society and the By-Laws of a SACCOS which is a member of such secondary society or conflict between the By-Laws of middle Cooperative

Societies and the By-Laws of a secondary society and of the federation, such dispute shall be referred to the Registrar for decision.

(12) In the event of conflict between the By-Laws of a joint enterprise and the By-Laws of a SACCOS which is a member of such joint enterprise, such dispute shall be referred to the Registrar for decision.

(13) Where, in pursuance of the provisions of subregulation (7), the Registrar exercises the power of deciding the dispute himself, the proceedings before him in relation thereto shall, as nearly as possible, be conducted in the same way as proceedings before a court of law.

(14) Where, in pursuance of the provisions of sub regulation (7) , the Registrar decides to refer a dispute to an independent arbitrator, such decision shall be embodied in an order of reference under his hand.

(15) Every order of reference under sub regulation (14) shall-

- (a) specify the name, surname, place of abode and occupation of the arbitrator;
- (b) set out the dispute and full particulars thereof; and
- (c) limit the time within which the award shall be forwarded by the arbitrator to the Registrar:

Provided that, on good cause shown to his satisfaction, the Registrar may by a further order enlarge the time whether before or after the time limited by the order of reference has expired.

(16) The proceedings before the arbitrator shall conducted in accordance with the arbitration Act and in particular the following provisions shall have effect in respect thereof-

- (a) notice of the time and place at which the proceedings are to be held shall be given to the parties to the dispute, and such notice shall be a ten days notice;

- (b) a record of the evidence adduced before the arbitrator shall be made, dated and signed by the arbitrator;
- (c) documents produced as evidence before the arbitrator shall be marked, dated and initialled by the arbitrator and shall be attached to the file of the proceedings; and
- (d) in the absence of any party duly notified to attend, the dispute may be decided by the arbitrator *ex parte*.

(17) The award of the arbitrator shall-

- (a) be in writing;
- (b) be dated and signed by the arbitrator; and
- (c) state the amount of costs and expenses of the arbitration, if any, and by which party or parties to the dispute the same are to be paid.

(18) Upon the completion of the proceedings, the arbitrator shall forward to the Registrar-

- (a) the file of the proceedings; and
- (b) the award.

Property and  
interest  
declaration

**131.**-(1) The property declaration form for every member of the Board of SACCOS in terms of paragraph 10(1) of the Second Schedule to the Act shall be as prescribed in Form No. 3 set out in the First Schedule.

(2) A declaration made in compliance with this regulation, shall be submitted to the Registrar within the time prescribed under paragraph 10 of the Second Schedule to the Act and as such interval as the Commission may from time to time prescribe.

(3) The Commission shall treat personal information under this regulation as confidential and may only disclose part of such information which to the opinion of the Registrar are required to be disclosed to the members of the particular SACCOS for compliance to the declaration required under paragraph 10 of the Second Schedule to the Act.

(4) Notwithstanding the provisions of sub-

regulation (2), property declaration form shall be submitted to the Commission-

- (a) within thirty days after assuming office as a member;
- (b) at the end of every twelve months from the day of submission of the first report;
- (c) at the end of the member's term of service; and
- (d) at the end of his term of office.

(5) Where a declarant cannot personally and physically submit his declaration to the Commission, it shall be sufficient proof that a declaration was made within the prescribed time on production of evidence showing that submission was made by registered mail.

(6) The Commission shall keep and maintain the Register of all declared property and each and every particular contained in a declaration form shall be entered in the Register.

(7) The Register may be available for inspection by any member of the SACCOS upon satisfaction of the following conditions-

- (a) a person wishing to make inspection has lodged with the Commission a complaint against a SACCOS Leader;
- (b) on his assessment, the Commission is satisfied that the complaint is genuine, relevant and was made in good faith; and
- (c) an inspection fee as prescribed in these Regulations has been paid.

(8) Where the Commission, on assessment of the complaint lodged, is not satisfied with the genuineness or is otherwise dissatisfied with the intention of the complainant, he may refuse to grant permission for inspection or may require the complainant to furnish to him more information relating to the complaint.

(9) Any person who, having made inspection in the Register misuses information so obtained, commits an offence.

(10) Any SACCOS leader who has previously

made a declaration of assets shall, during the subsequent declaration be required to declare as to the increase or decrease of assets as the case may be.

(11) A declaration made for the purposes of this Regulation shall be deemed to be a statutory declaration.

(12) A public leader who is subject to section 134 shall be considered to have breached the Code if-

- (a) he fails, without reasonable cause, to make a declaration required by that section; or
- (b) he knowingly makes a declaration under this regulation that is false or misleading in a material particular.

(13) A SACCOS leader shall be considered to have breached the Code if he knowingly acquires any significant pecuniary advantage, or assists in the acquisition of any pecuniary advantage by another person, by-

- (a) improperly using or benefiting from information which is obtained in the course of his official duties and which is not generally available to the public;
- (b) disclosing any official information to unauthorised persons;
- (c) exerting any improper influence in the appointment, promotion, disciplining or removal of any officer in the SACCOS;
- (d) directly or indirectly converting SACCOS property for personal or any other unauthorised use for the purposes of reaping private economic benefit;
- (e) soliciting or accepting transfers of economic benefit, other than-
  - (i) benefits of nominal value, including customary hospitality and traditional or token gifts; or
  - (ii) gifts from close family members or from public leaders elsewhere.

SACCOS leader  
not to acquire  
dishonestly any  
pecuniary  
advantage

**132.**-(1) Where a SACCOS has an interest in a contract that is made, or is proposed to be made by his SACCOS, and has not made a sufficient declaration under sub regulation (4) in relation to the contract, such leader shall as soon as practicable make a declaration of his interest in relation to the contract, specifying the nature and extent of his interest.

(2) Where-

(a) immediately before the commencement of the Act, a SACCOS leader has an interest in a contract that has been made by his SACCOS; and

(b) the contract is not completely performed by all parties within six months after the commencement of these Regulations, the SACCOS shall, within six months after the commencement of the Act, declare the interest in accordance with this section.

(3) The interest of the spouse or spouses or of the children of a leader in relation to the SACCOS contract shall be deemed to be the interest of the SACCOS leader.

(4) A declaration for the purposes of this regulation shall be made to the Commission in writing.

(5) A declaration by a SACCOS leader that-

(a) states that he has an interest in any legal entity;

(b) specifies the nature and extent of the interest;

(c) where the interest is a shareholding or partnership, specifies the proportion of the ownership of the company or firm represented by the shareholding or partnership; and

(d) states that he is to be regarded as interested in any contract which may, after the date of the notice, be made with the his SACCOS by that legal entity,

shall be a sufficient declaration of interest in relation to



any contract so made unless, at the time the question of confirming or entering into any contract is first taken into consideration by the SACCOS, the extent of his interest in the legal entity is greater than is stated in the declaration.

(6) For the purposes of this regulation, a SACCOS leader has an interest in a contract if-

- (a) he will derive any material benefit, whether direct or indirect, from the contract; or
- (b) one party to the contract is a firm or body corporate and he has a material interest, whether direct or indirect, in the legal entity.

(7) For the purposes of paragraph (b) of sub regulation (6), a SACCOS leader shall not be considered to have a material interest in a body corporate by reason only that-

- (a) he holds debentures of the body corporate; or
- (b) he holds shares in the body corporate with a total market value of less than the annual emoluments from office of the SACCOS leader.

(8) A SACCOS leader shall attend meeting or forum or part of it, on any matter in which he has a direct pecuniary interest unless he has disclosed the nature of that interest to such meeting or forum or part of it.

(9) For the purposes of sub regulation (7), the separately owned assets of the spouse or minor children of a leader shall be deemed to constitute an interest for disclosure by him.

Complaints of  
breaches of  
Code

**133.**-(1) An allegation that a SACCOS leader has breached regulations 131 and 132 may be made to the Commission by any person in writing signed by the complainant and giving the complainant's name, address and particulars of the breach or breaches alleged,

Provided that the Commission shall not refuse

any allegation submitted to it for the reason only of lack of signature, names or address of the Complainant.

(2) Upon receipt of a complaint or allegation against any SACCOS leader in relation to compliance with the Code, the Registrar shall cause thorough preliminary investigation to be carried out by or on behalf of the Commission into the allegation or complaints, and if he is satisfied that the investigation discloses a prima facie case for which a SACCOS leader may be justly required to give an explanation of his conduct or property and the Commission may consider appropriate measures to be taken against such SACCOS officer.

(3) Where the allegation received by the Commission relates to the Criminal offence, the Commission shall immediately submit the allegation to the relevant authorities for investigation.

Contracts  
entered into by  
SACCOS  
G.N.No.  
450 of 2015

**134.**-(1) A SACCOS formed pursuant to the Act shall not, except with prior approval of the general meeting and thereafter on consultation in writing with the Registrar, enter into a contract in respect of a loan or credit service, work done, goods applied or services provided for or by the SACCOS, rent received for or by hire or disposal of any asset of the society where the value of the subject matter of such a contract exceeds five million shillings.

(2) Where a SACCOS enters into contracts for the supply of goods or services, it shall undertake and discharge the obligation of that contract and where the contract requires special skills it shall furnish evidence that some of its members or staff have the necessary skills required for the discharge of the contract.

(3) Any officer of the SACCOS who contravenes the provisions of subregulation (1) commits an offence.

General penalty

**135.** Any person who contravenes the provisions of these Regulations, in the case where no

specific penalty has been prescribed is liable upon conviction to a fine not less than five million shillings but not exceeding ten million shillings or to imprisonment for a term not exceeding three year or to both

**SCHEDULES**

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FIRST SCHEDULE

UNITED REPUBLIC OF TANZANIA  
TANZANIA COOPERATIVE DEVELOPMENT COMMISSION

(Made under regulation 14(2) (b))

FORM 1:

APPLICATION FORM FOR A LICENCE

1. Name of the SACCOS: .....  
Reg. No.....Date of Registration.....
2. Location of Registered Office.....
3. Physical Address of Head Office: L.R. No.....  
Street.....  
Building.....
4. Postal Address ..... Postal Code.....  
Telephone No..... P.I.N. No.....  
E-mail Address.....
5. Names of places of business in Tanzania and the number of years each has been established and has conducted or carried out business

<i>S/N o.</i>	<i>Name of Branch</i>	<i>Year Established</i>	<i>No. of Years in Operation</i>
1			
2			
3			
4			
5			
6			
7			

NB: Attach to this application a list of other places of business. Provide name of the place of business, state whether it is a satellite, mobile unit, ATM or point of sale etc.

6. Former name(s), if applicable, by which the SACCOS has been known

- 1.....from .....to.....
- 2.....from .....to.....
- 3.....from .....to.....
- 4.....from .....to.....

7. Details of Capital

- (a) Paid-up value.....
- (b) Core capital.....
- (c) Institutional capital.....

8. Particulars of Officers:  
a) Board Members

<i>Present &amp; Former Name</i>	<i>DOB</i>	<i>Address</i>	<i>Date of Appointment</i>	<i>Other Board membership</i>
1				
2				
3				
4				
5				
6				
7				

(b) Senior Management

<i>Present &amp; Former Name</i>	<i>Designation</i>	<i>DOB</i>	<i>Academic/ Professional Qualifications</i>	<i>YO</i>	<i>DOA</i>	<i>Previous Employment</i>
1						
2						
3						
4						
5						
6						
7						

Note: DOB – Date of Birth; YO – Year Obtained; DOA – Date of Appointment.

9. Names of Bankers and their Address

- 1. .... Box .....
- 2. .... Box .....
- 3. .... Box .....
- 4. .... Box .....

10. Has the SACCOS ever been put under receivership or made any compromise or arrangement with its creditors or otherwise failed to satisfy creditors in full? ..... If so, give particulars .....

UNITED REPUBLIC OF TANZANIA  
TANZANIA COOPERATIVE DEVELOPMENT COMMISSION

*(Made under regulation 16(1))*

FORM 2

LICENCE No. ....

This LICENCE is granted to..... (Name of SACCOS) Reg. No. ....of..... (Address) and authorizes the said SACCOS to Offer products and services permitted for Licensed SACCOS in the republic of Tanzania

This License is issued subject to the provisions of the Cooperative Societies Act and the Regulations issued there under and to any conditions endorsed hereon.

CONDITIONS:

- 1.....
- 2.....
- 3.....
- 4.....

This LICENCE covers the period FROM\_\_\_\_\_ TO\_\_\_\_\_ for the SACCOS' head office and all places of business annexed hereto.

The Commission may at any time revoke, amend or restrict this license or vary any terms and/or conditions of its issuance.

Issued under the common seal of the Registrar of Cooperative Societies

Dated this.....day of..... 20.....

\_\_\_\_\_  
*The Registrar*





UNITED REPUBLIC OF TANZANIA  
TANZANIA COOPERATIVE DEVELOPMENT COMMISSION

Declaration of Properties Form

(Made under regulation 131)

DECLARATION OF INTERESTS, ASSETS AND LIABILITIES BY THE SACCOS LEADERS

NOTE: MEMBERS ARE ADVISED TO CAREFULLY READ THE NOTES FOR COMPLETION OF DECLARATION OF PROPERTIES. THIS FORM SHALL BE FILLED BY ALL SACCOS LEADERS (BOARD MEMBERS, A MEMBER OF EXECUTIVE COMMITTEE, AND ALL SENIOR EXECUTIVE STAFF IN THE MANAGEMENT OF A SACCOS)

Declaration Status:

(Tick appropriate box)

1. Surname of Declarant  
.....  
(In block letters)  
Other Names: .....
2. Date of Birth:  
.....
3. Place of Birth: .....  
{Village, Ward and District}
4. Marital Status: .....
5. Citizenship: .....
6. Address P.O.Box .....  
(b) Physical Contact: .....  
(c) Telephone Contact: .....
7. Personal details  
(a) Rank/Position/Title: .....  
(b) Date of Present appointment:.....  
(c) Name of Employer: .....

- (d) Nature of employment (contract, permanent, temporary etc).
- (e) Salary per annum:.....
- (f) Allowances per annum (approximate) .....
- Biannual
- (g) Other sources of income:.....

8. DETAILS OF INCOME:

Cash:

- (a) Cash in bank or other Financial Institution in Tanzania.....

*(Give location of the bank/institution, name(s) of account holder, account*

*number, type of account)*

Bank/Institution Name

and.....

Location.....

Name(s) of Account Holder Account type and its number.....

- (b) Cash in bank or Financial Institution outside Tanzania  
*(Give details as in (a) above and particulars of countries).*

Bank/Institution Name and

Location

Name(s) of Account Holder Account type and

its.....

number

- (c) Treasury bills or Investments in securities.....

*(Give details and address of the bank/company, and amount)*

- (d) Amount of money owed to you by debtors.....

- (e) Give details of the debt(s): .....

9. DETAILS OF PROPERTIES

- (a) Undeveloped/Vacant Land

- (i) Location in

Tanzania.....

*Indicate Village, Ward, District*

*Value at acquisition Current*

*Block and Plot Number etc, and date acquired Market*

*Value*

- (ii) Location outside

Tanzania.....


- (iii) State how each land was acquired and source of funds if purchased.....
- (b) Developed land (Buildings)
  - (i) Location in Tanzania  
*Indicate Village, Ward, District, District, Block Plot Number, etc (approx.) Commercial (C)*
  - (ii) Location outside  
Tanzania.....
  - (iii) State source of funds, if building(s) was purchased or built by you.....
  - (iv) State income per annum if building is for Commercial or Rent.....
- (c) Farms
  - (i) Location in Tanzania  
*Indicate Village..... Ward, ..... District..... Market Value..... Plot Number, etc date acquired (approx.)*
  - (ii) Location outside  
Tanzania.....
  - (iii) State how each farm was acquired, if purchased state source of funds.....
  - (v) State income per annum accruing from the activity on each farm/Ranch mentioned above.....
- (d) Vehicle(s)
  - (i) Type and Make Registration Number:  
.....
  - (ii) Value at acquisition and date  
acquired.....
  - (iii) Current Market Value (Approx.) .....
  - (iv) State how each vehicle was acquired, and source of funds if purchased.....
  - (v) State how each vehicle is used (Personal or Commercial). If Commercial state.....
- (e) Shares in a Business enterprise/Company within or outside Tanzania
  - (i) *Name and Address of Number of Business Enterprise/Company Nature of Business Shares*
  - (ii) State how share(s) were acquired, if purchased state source

- of funds
- (iii) State annual income accruing from the business above
- (f) Other assets (other than household items)
  - (i) Item Value a acquisition:
    - .....
  - (ii) And date
    - acquired.....
    - (i) Current Market.....
    - (ii) Value (Approx.).....
  - (b) The interest/ position: Are you a leader in any in any elected or appointed political position? (see the definition under section 132(4) of the Act), IF YES, mention the position and years serving:
    - .....
    - .....

I, .....  
 having been elected/appointed and sworn into the office of  
 ..... on the  
 ..... day of ..... 20..... do hereby solemnly and  
 sincerely declare that as of this day I own and I am owed the declarable  
 assets and liabilities disclosed herein above.

I do hereby make this declaration conscientiously believing the same to  
 be true and in accordance with Oaths and Statutory Declarations Act Cap.  
 34 [R.E. 2002].

This declarations is made and subscribed at.....  
 by the said.....  
 who is known to me personally/identified to me by  
 DECLARANT .....  
 the latter being known to me personally  
 this .....day of.....20.....



BEFORE ME:  
 Signature: .....  
 Qualifications: .....  
 Address: .....  
 .....  
 .....

This declaration must be made before a Commissioner for Oaths or a Notary  
 Public.

TO: THE REGISTRAR, THE COOPERATIVE DEVELOPMENT  
COMMISSION FOR OFFICIAL USE

1. Date of Declaration: .....
2. Date of Receipt of declaration: .....
3. Action taken (a) Acknowledgement Slip issued:.....  
(b) Filed: .....
- (c) Sent for verification/Clarification:
- (d) Comments:.....

Name of Receiving Officer:.....  
Title:.....  
Signature:.....

SECOND SCHEDULE

*(Made under regulation 39(1)(a))*

REQUIREMENTS FOR BOARD AND COMMITTEE MEMBERS

*(a) Board Members*

1. Board members have a fiduciary responsibility to their membership.
2. That being said, all Board members should ideally have a background in business, management, or accounting.
3. At a minimum, there shall be two elected Board Members who have this background.
4. If this is not possible, the Board Members should be trained in these requisite disciplines within one year of their appointment to the Board.
5. Each Board member should be able to assess the financial condition and the operational quality of the SACCOS.
6. The Board should not be reliant on operational management to interpret financial data and other information received.
7. The Board must be independent, able to question management and understand their response about issues that are unclear.
8. Each Board member shall fully understand their duties and responsibilities and shall receive and review a written job description just as a SACCOS employee. The duties and responsibilities shall be clearly stated in the job description given to all prospective Board members so that expectations are clear.
9. In order to discharge the duties of a Board member and be effective in the role, each Board member shall have the following:
  - (i) Educational or work related experience in business, management, accounting, finance, or auditing;
  - (ii) Knowledge of the local community and the SACCOS members;
  - (iii) An excellent reputation within the community;
  - (iv) Known as honest, fair and with integrity;

- (v) Ability to read and interpret financial statements;
- (vi) General understanding of laws governing the SACCOS;
- (vii) Knowledge of risk management and effective operational management;
- (viii) Ability to understand the basic concepts of liquidity and asset liability management;
- (ix) Familiar with lending, collections, investments and marketing;
- (x) Knowledge of the principles of good governance and cooperatives;
- (xi) Willing to participate in trainings to strengthen their abilities as a Board member;
- (xii) Ability to commit enough time to successfully complete all of the job duties and responsibilities; and
- (xiii) Strong oral communications skills and the ability to work as part of a team.

10. All prospective Board members shall provide their resume or details on their educational background and work related experience to the nominating committee. They shall also disclose if they have served as a Board member before or in other leadership roles and if they have special skills that will be useful as a Board member in the areas of management, business administration, marketing and public relations, finance, legal, fund raising, or information technology.

*(b) Credit Committee*

1. Each credit committee member should fully understand their duties and responsibilities. They should receive and review a written job description just as a SACCOS employee would. The duties and responsibilities should be clearly stated in the job description given to all prospective credit committee members so that expectations are clear.

2. In order to perform the job duties of a credit committee member and be effective in the role, each member shall have the following:

- (i) Educational or work related experience in lending, business, management, accounting, or finance;
- (ii) Knowledge of the local community and the SACCOS members;
- (iii) An excellent reputation within the community;
- (iv) Known as honest, fair and with integrity;
- (v) Experience granting loans and evaluating a borrower's financial condition, project to be financed, their cash flow and the value of collateral;

- (vi) Ability to read and interpret financial statements;
- (vii) Understanding of the SACCOS credit and collection policies and other laws and Regulations governing SACCOS and their lending;
- (viii) Experience collecting delinquent loans and knowledge of effective collection procedures and any collection Regulations;
- (ix) Knowledge of the principles of good governance and cooperatives;
- (x) Ability to commit enough time to successfully complete all of the job duties and responsibilities; and
- (xi) Strong oral communications skills and the ability to work as part of a team.

3. All perspective credit committee members shall provide their resume or details on their educational background and work related experience to the nominating committee. They should also disclose if they have served as a credit committee member before or in other leadership roles and if they have special skills that will be useful as a credit committee member in the areas of lending, business administration, management, accounting, or finance.

*(c) Supervisory Committee*

1. Each supervisory committee member should fully understand their duties and responsibilities. They should receive and review a written job description just as a SACCOS employee would. The duties and responsibilities should be clearly stated in the job description given to all perspective supervisory committee members so that expectations are clear.

2. Supervisory Committee Member Qualification Requirements: In order to perform the job duties of a supervisory committee member and be effective in the role, each member shall have the following:

- (i) Educational or work related experience in accounting, auditing, or finance;
- (ii) Experience performing internal and/or external audits;
- (iii) Ability to read and interpret financial statements;
- (iv) Understanding of the local accounting laws and Regulations;
- (v) Knowledge of SACCOS By-Laws, policies and procedures, Act, rules and Regulations;
- (vi) Knowledge of the local community and the SACCOS members;
- (vii) An excellent reputation within the community;
- (viii) Known as honest, fair and with integrity;
- (ix) Knowledge of the principles of good governance and cooperatives;
- (x) Capable of investigating and resolving any membership complaints



- or those other issues brought to the committee's attention by SACCOS employees;
- (xi) Ability to commit enough time to successfully complete all of the job duties and responsibilities; and
  - (xii) Strong oral communications skills and the ability to work as part of a team.

3. All perspective supervisory committee members shall provide their resume or details on their educational background and work related experience to the nominating committee. They should also disclose if they have served as a supervisory committee member before or in other leadership roles and if they have special skills that will be useful as a supervisory committee member in the areas of accounting, auditing, or finance.

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**THIRD SCHEDULE**

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*(Made under regulation 20(2)(j))*

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**SUMMARY OF PRUDENTIAL STANDARDS**

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<i>Title or Ratio</i>	<i>Standard</i>	<i>Applicable Regulation</i>
1. Minimum Capital for Registered SACCOS	TZS 5 million	Registration
2. Minimum Capital for Licensed SACCOS	TZS 100 million	Licensing
3. Minimum number of members for a registered SACCOS	20	Registration
4. Total amount of member and related party shares / Total shares	20%	Registration
5. Total amount of member and related party shares, savings and deposits / Total shares, savings and deposits	20%	Licensing
6. Core capital / Total Assets	8% or more	Capital Adequacy
7. Institutional Capital / Total Assets	6% or more	Capital Adequacy
8. Net Institutional Capital /	6% or more	Capital

*The Cooperative Societies Act*

*G.N. No. 115 (contd.)*

<i>Title or Ratio</i>	<i>Standard</i>	<i>Applicable Regulation</i>
Total Assets		Adequacy
9. Loan to a member not fully secured by voluntary shares, savings, time deposits or goods registered in a public registry / Core Capital.	5%	Lending
10. Loan to a member that is fully secured by voluntary shares, savings, time deposits or goods registered in a public registry/ Core Capital	10%	Lending
11. Maximum Loan Maturity	5 years	Lending
12. Outstanding Loans to officers and employees / Total Assets	5%	Lending
13. Delinquent Loans > 30 days / Total Loans	5% or less	Delinquency and Provisioning for Loan Losses
14. Allowance for Loan Loss funding: <ul style="list-style-type: none"> <li>• 31-90 days delinquent</li> <li>• 91-180 days delinquent,</li> <li>• 181-365 days delinquent,</li> <li>• &gt; 365 days</li> </ul>	<ul style="list-style-type: none"> <li>• 10% loan balance'</li> <li>• 30% loan balance,</li> <li>• 50% loan balance,</li> <li>• 100% loan balance</li> </ul>	Delinquency and Provisioning for Loan Losses
15. Short-term Investments + Liquid Assets – Short-term Payables / Savings Deposits	15-20%	Liquidity and Asset Liability Management
16. Net Loans / Total Assets	70-80%	Liquidity and Asset Liability Management
17. External Borrowing / Total Assets	25% or less	Liquidity and Asset Liability Management
18. Maximum Investment Maturity	One year	Investment
19. Investment amount in a single financial institution / Core Capital	25%	Investment
20. Non-earning and Fixed Assets / Total Assets	5% or less	Investment

Dar es Salaam  
MASAJU  
30<sup>th</sup> March, 2016

GEORGE M.  
*Attorney General*