



REPUBLIC OF KENYA

**SPEECH BY HON. PETER MUNYA, MGH.
CABINET SECRETARY AGRICULTURE,
LIVESTOCK, FISHERIES, AND COOPERATIVES
DURING A BREAKFAST EVENT AT SAFARI
PARK HOTEL ON FEBRUARY 3, 2021**

**Mr. Ali Noor Ismail, Principal Secretary, State
Department of Co-operatives
Chairman, The Sacco Societies Regulatory Authority
(SASRA), Hon. Mr. John Munuve
Members of the SASRA Board
SASRA CEO, Mr. John Mwaka
Chairmen of Specified NDTs
Officials of Specified NDTs
Invited Guests
Friends from the Media**

Ladies & Gentlemen

Savings and Credit Cooperatives, SACCOs are an integral part of the deposit taking and lending market in Kenya providing financial services to over six million households across various sector of the economy.

It is for this reason, that my Ministry has been driving policy reforms to enhance the governance, financial soundness and sustainability of the SACCO industry in Kenya. These reforms consistent with the policy developments articulated in the Cooperative Development Policy, approved by the Cabinet in

2019. Specific to the SACCO sector my Ministry has given priority to the following policy reforms:

- a) Central Liquidity facility and Shared Technology platform
- b) Operationalization of the deposit guarantee fund for SACCOs
- c) Establishment of the SACCO Fraud Investigation Unit
- d) Prudential Supervision of the non-deposit taking Saccos, commonly referred to as Back Office Services Activity, BOSA SACCOs.

SACCO Central Liquidity Facility

In 2019 H.E. the President directed that the establishment of SACCO Central Liquidity facility be fast-tracked given its significant in enhancing the contribution of SACCOs in social economic development of Kenyans and their enterprises. I am delighted to report that SASRA working through a multi-agency team developed a legal framework on the establishment and regulation of a Central Liquidity and Shared Technology platform for Sacco Societies. The CLF will facilitate cooperation amongst SACCOs through pooling of liquidity and connected services to enhance the financial soundness and

competitiveness of the SACCOs as deposit taking institutions. This is under review and is expected to be submitted to Parliament by March as part of the 2021 Budget Policy Statements. It is worth noting that over fifty (50) SACCOs are working with the Regulator on this initiative and have already developed Bylaws to govern the CLF and shared services business amongst themselves.

SACCO Deposit Guarantee Fund, DGF

On the SACCO DGF, the appropriate legal amendments have been drafted and will again be submitted to the National Treasury for inclusion in the Financial Bill for 2021. In the

meantime, SASRA is working with the SACCOs on the nomination of representative Trustees for my appointment to the DGF Board of Trustees by June 2021. The Board of Trustees is the governing organ for the DGF overseeing its operations.

SACCO Societies Fraud Investigations Unit

Following the Presidential directive for the establishment of a SACCO Societies Fraud Investigations Unit within SASRA, I am

happy to report that the Fraud Unit has been established and fully operational. The unit is staffed by specialized officers seconded from the Directorate of Criminal Investigations and is functionally supported by SASRA's technical staff. So far, I am told that the Fraud Unit has finalized an investigation, caused an arrest and prosecution of a fraudulent embezzlement including recovery of over Kshs 1.3 Million from the suspect.

While several investigations are underway and am equally aware that told the Fraud Unit has been able to disrupt the operations of a huge pyramid scheme - like entity, which was defrauding the public of their savings by purporting or

pretending to be SACCO Society when it was not. Fraudsters and fraudulent schemes normally styled as SACCOs, should be therefore put on notice that the government will soon catch up with them.

Members of the public are also encouraged to desist from dealing with unregulated and unsupervised entities, particularly when it involves savings. They should also undertake due diligence on any entity purporting to be a SACCO, before saving with such an entity.

Regulation of Non Deposit Taking SACCO Societies

Turning to the regulation of non-deposit Taking SACCOs, my office, on the 5th May 2020 published the SACCO Societies (Non-Deposit Taking Business) Regulations, 2020, through Legal Notice No.82 of 2020. Known as the Regulations 2020, this document was designed to prescribe prudential and market conduct measures to be complied with by all SACCO Societies undertaking the specified non-deposit taking business (popularly referred to as BOSA-Back Office Service Activities-business in Kenya). These SACCOs collect deposits that are only withdrawable on the exit of the member, and not at any other

time, like their Deposit Taking counterparts who receive demand deposits like banks.

The publication of the Regulations 2020 was a landmark step towards the policy of bringing Non-Deposit Taking SACCOs under the regulatory oversight of the SACCO Societies Regulatory Authority (SASRA)

The Regulations specified a number of BOSA businesses, as the non-deposit taking SACCOs as defined by Section 3(2) of the SACCO Societies Act.

- a) Non-Deposit Taking business (BOSA) in which the total non-withdrawable deposits from members is equal to or exceeds the sum of one hundred million shillings (KSh100 million)
- b) Non-Deposit Taking business (BOSA) in which the SACCO Society mobilises membership and subscription to its share capital through digital or other electronic payment platforms; or
- c) Non-Deposit-Taking business (BOSA) in which the SACCO Society mobilises membership and subscription to its

share capital from persons who are ordinarily resident outside the country.

Ladies and Gentlemen,

Today, I am glad to note that the policy to bring Non-Deposit Taking SACCOs under the regulatory oversight of SASRA has been concretized and is ready for rollout. With the Regulations 2020 having taken legal effect from January 1, 2021, ALL SACCO Societies undertaking the specified non-deposit taking

(BOSA) business are required to comply, in the current window to June 30,2021.

Ladies and Gentlemen,

The SACCO sub-sector plays a critical role in aggregating savings and providing credit facilities to our people, especially households. Most importantly, as SACCOs undertake their business, they must conduct themselves in a manner that puts the accent on the highest standards of corporate governance and financial prudence. Equally important, measures must be put in place to secure the interest of members at all times.

I hasten to add that the Regulations 2020 will complement the member accountability mechanisms of holding annual general meetings during when, the elected directors report to the members.

It is my expectation that the SACCO industry in its entitle will embrace this policy reforms to further develop and strengthen the Kenya SACCO subsector, which is ranked first in Africa in terms of assets, members and deposit mobilizations.

To the SASRA Board and Management,

With the coming on board of Non-Deposit Taking SACCOs under your regulatory mandate, you have taken on a wider scope, compared to the 175 Deposit-Taking SACCOs that are currently being regulated by the Authority.

I am informed that the Non-Deposit Taking SACCOs being targeted under the Regulations 2020 are estimated at about 3626 s at December 31, 2019. These are active across sectors of our economy and in all parts of our Country with membership of about 1.5 million, KSh188 billion in assets funded by member deposits KSh140.54 billion.

SASRA has invested and continues invest in appropriate human capital, technological and infrastructure - to ensure that this transition is as smooth and as efficient as possible and is achieved within the available window.

I assure you of our full support as a Ministry as you work towards achieving your expanded mandate. I wish you all the best in this task.

THANK YOU AND GOD BLESS YOU ALL

Hon Peter Munya (MGH)

**Cabinet Secretary, Ministry of Agriculture, Livestock,
Fisheries and Cooperatives**