

**TALKING POINTS FOR THE CHAIRMAN, THE SACCO SOCIETIES REGULATORY AUTHORITY (SASRA), HON. MR. JOHN MUNUVE, DURING THE CS'S (AGRICULTURE, LIVESTOCK, FISHERIES & COOPERATIVES) BREAKFAST EVENT AT SAFARI PARK HOTEL ON FEBRUARY 3, 2021**

**Salutations**

**The Cabinet Secretary, Agriculture, Livestock, Fisheries and Cooperatives, Hon. Peter Munya**

**Mr. Ali Noor Ismail, Principal Secretary, State Department of Co-operatives**

**Members of the SASRA Board**

**SASRA CEO, Mr. John Mwaka**

**SASRA Management and Staff**

**Friends from the Media**

**Ladies & Gentlemen**

**Hon. CS, Ladies and Gentlemen,**

The role of the SACCO sub-sector as a key mobilizer of savings and provider of credit for development, especially at the household level in Kenya, cannot be gainsaid.

The SACCO Societies Regulatory Authority (SASRA) was incorporated, about 10 years ago, under the legal anchorage of the SACCO Societies Act No. 14 of 2008, as the Government's agency responsible for the prudential supervision and regulation of SACCOs.

Our role is to ensure that the SACCO sub-sector operates at the highest levels of governance and financial prudence, while securing the interest of members.

Currently, SASRA regulates some 17 Deposit Taking (DT) SACCOs, straddling all sectors of the economy and geographies of our country.

## **Performance**

Despite the shocks experienced in individual and business incomes as a result of job losses and disruptions of value chains brought about by the advent of the COVID-19 pandemic from March 2020, we are glad to report that the SACCO sub-sector performed relatively well, with an upturn in all the key performance indicators:

- Total Assets at the end of Q4 stood at KSh622 billion, compared to KSh556 billion at the end of Q4 in 2019, a growth of 12 percent p.a.
- Gross Loans were at KSh469 billion at the end of December 2020, compared to KSh420 billion same period in 2019, a growth of 11.5 percent.
- Member Deposits held by the DT SACCOs stood at KSh425 billion and KSh381 billion by close of 2020 and 2019 respectively, a 12 percent improvement.
- The Non-Performing Loans Portfolio (NPL) for DT SACCOs closed the year 2020 at KSh30.44 billion, out of a total loan book of KSh469.02 billion, representing 6.49 percent of the total portfolio. This is against KSh25.79 billion, out of gross loans of KSh419.55 billion as at December, 2019 (6.15 percent of the loan book)

## **Towards better regulation of DT SACCOs**

To further improve on our regulatory oversight over the SACCO sub-sector, and guided by HE the President and your Ministry, the Authority is currently implementing a number of changes, on which I seek to provide a status report:

## **A. Central Liquidity Fund (CLF), including the Shared Services Platform**

During the celebrations to mark the International Cooperatives (Ushirika) Day, HE President Uhuru Kenyatta issued a policy directive that steps be taken towards the establishment of a Central Liquidity Fund (CLF) for SACCOs. The rationale behind this was to integrate DT SACCOs into a central mechanism for liquidity pooling, investing and payments settlements in an efficient and sustainable manner to enhance the competitive of the DT Saccos as deposit taking institutions. Critical to the operationalization of the CLF would be the establishment of associated infrastructural components, such as a central technological platform on which DT SACCOs to facilitate shared services model including the pooling of liquidity and connected services.

Working in collaboration with a multi-agency team comprising technical officers from the State Department of Cooperatives, the National Treasury, Central Bank of Kenya (CBK), Kenya Law Reform Commission (KLRC), SASRA has drafted the legal framework for the CLF. This framework also provides for a Shared Services Platform.

Today, the draft legal framework is under consideration by the office of the CS, ahead of the planned submission to Parliament by March 2021.

Most significantly, fifty (50) SACCOs have already expressed interest and are working with SASRA in making this transformative initiative a reality.

## **B. Deposit Guarantee Fund (DGF)**

As a pathway towards the establishment of this fund, the relevant legal amendments have been drafted and are currently being processed by the office of the CS, for onward submission to the National Treasury, for incorporation into the 2021 Budget Policy Statement and the accompanying Finance Bill.

In the meantime, preparations for the establishment of the Fund are continuing apace. Already, guidelines have been disseminated to SACCOs to help them in nominating Trustees for appointment by the CS to the fund's Board of Trustees. This board, which will comprise four trustees from the licensed SACCOs, will be responsible for the management of the Fund. Once the nominations are made, the Board of Trustees will be appointed by the CS, operationalizing the DGF.

### **Bringing Non-Deposit Taking SACCOs under the Regulatory Mandate of SASRA**

While regulation under SASRA has brought resilience, stability and better protection of member rights to the 175 DT SACCOs currently under our mandate, these benefits are still not available to a critical component of our SACCO ecosystem: Non-Deposit Taking SACCOs.

According to sample data collected by ourselves (SASRA), there are over 3,600 such SACCOs, with a membership of over 1.5 million individuals. Non-DT SACCOs command a Total Asset base of KSh188.02 billion; Loans worth KSh136.89 billion; and Deposits valued at KSh140.54 billion.

These numbers are materially significant and come with risks not different from those faced by DT SACCOs, and by extension, their members. These largely constitute incidents where Non-DT SACCOs have failed to honour their contractual obligations to members, in terms of availing credit facilities and/refund of non-withdrawable deposits upon exit. Some have collapsed with huge losses to members, with a number of financial SACCOs being run like Ponzi schemes.

The move to bring Non-DT SACCOs under the regulatory oversight of SASRA, started in December 2, 2018, with the publication by the then CS for Industry, Trade and Cooperatives of a Gazette Notice giving legal backing to the formulation of the relevant

regulations under the SACCO Societies Act (SSA). A Task Force was appointed to draft the regulations.

The publication of the resultant *SACCO Societies (Non-Deposit Taking Business) Regulations, 2020*, through Legal Notice No.82 of 2020, on May 5,2020, was a definitive point in this journey. The regulations prescribe the prudential and market conduct measures to be complied with by all SACCO Societies undertaking the specified non-deposit taking business (popularly known as BOSA business).

Under the Regulations 2020, the following BOSA businesses are to be subject to regulation by SASRA:

- a) Non-DT business (BOSA) in which the total non-withdrawable deposits from members is equal to or exceeds KSh100 million.
- b) Non-DT 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-DT business (BOSA) in which the SACCO Society mobilises membership and subscription to its share capital from persons, who are ordinarily resident outside the country (Kenya)

### **Hon. CS, Ladies and Gentlemen,**

With the Regulations 2020 having taken effect from January 1, 2021, the responsibility is now on all Non-DT SACCOs to comply by filing their detailed particulars with SASRA within 30 days of the public notice the Authority published in the national press last Friday (January 29, 2021) and making the appropriate application to the Authority within six months of the Regulations 2020 having come into legal effect (June 30, 2021), for the requisite authorization to operate.

We appeal to the Non-DT SACCOs that meet the requirements set out by the Regulations 2020 to take advantage of the six-month window to adequately prepare and submit application for authorization. We estimate that we shall register about 300 Non-DT SACCOs.

The Authority in addition to the various technical guides will hold regional workshops as part of the strategies to ensure that the non-DT Saccos are adequately informed of the requirements under the new regulatory regime. This will entail working all stakeholders including the State Department of Cooperatives, Departments of Cooperatives at the Counties, NACOs among other industry partners.

I wish to assure all the qualifying Non-DT SACCOs, as prescribed under the Regulations 2020, the SACCO sub-sector and the Country at large that at SASRA, we have put in place the necessary human resource and technological capacity to be able to deliver on this, our expanded mandate.

Thank you.

**ENDS...**