

# **BY-LAWS**

**OF**

**CHUNA  
SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY LIMITED**

**CHUNA SACCO SOCIETY LIMITED  
P.O BOX 30197-00100-NAIROBI**

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## SECTION 1 – INTERPRETATIONS, NAME AND ADDRESS

### 1. INTERPRETATIONS AND DEFINITIONS

- 1.1 In these by-laws, unless the context otherwise suggests words or phrases shall be interpreted in accordance with the Sacco Societies Act, 2008 and Regulations hereinafter referred to as the “Act” and “Regulations” respectively, the Co-operative Societies Act Cap 490 Laws of Kenya and the Rules made there under herein after referred to as the “Co-operative Societies Act” and “Rules” respectively.
- 1.2 In these by-laws where the masculine gender is referred to, it will be construed to include the feminine gender.
- 1.3 In these by-laws save as otherwise expressly stated:
- (i) Audit Committee- Committee of the Board established as per the Regulations
  - (ii) “Authority” shall mean the Sacco Societies Regulatory Authority
  - (iii) “A nominee” means a person appointed by the member to inherit the shares, deposits and other interests in the society upon the death of that member.
  - (iv) “Applicable Law” shall mean any other relevant law other than the Act and the Regulations, Co-operative Societies Act cap 490, Rules, and these by-laws.
  - (v) “Board of Directors” shall refer to the persons elected in a duly convened General meeting to govern the Business of the SACCO Society as per these by-laws hereinafter referred to as the “board”.
  - (vi) “Commissioner” shall mean “the Commissioner for Co-operative Development as provided for in the Co-operative Societies Act.”
  - (vii) “Core Capital” shall mean fully paid up members’ shares, capital issued, disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the SACCO Society.
  - (viii) “Institutional Capital” means and comprises statutory reserves, entrance fees, appropriation accounts, donated equity, a permanent capital base and any other reserves established by the Society’s Board of Directors for which no claim has been placed upon it by members or other parties.
  - (ix) “Dividend” shall mean members share of the surplus of the SACCO Society which is divided amongst its members based on shareholding.
  - (x) “Deposit” means a sum of money received or paid on terms under which it shall be repaid with or without interest or premium and either on demand or at a time or in

circumstances agreed by or on behalf of the person making the payment and the person receiving it.

- (xi) “Dormant Account” means savings or current account maintained by a SACCO society which is not operational, or has had no transactions by the depositor within the maximum period prescribed by the Authority.
- (xii) “Deposit Guarantee Fund” means the Sacco Deposit Guarantee Fund established by section 55 of the Act.
- (xiii) “General Meeting” shall be a meeting (either “annual” or “special”) for all members duly convened by the SACCO Society to conduct its business.
- (xiv) “Member” includes a person or a co-operative society joining in the application for the registration of a SACCO Society, and a person or co-operative society admitted to membership after registration in accordance with the by-laws.
- (xv) “SACCO Society” means a savings and credit co-operative society registered under the Co-operative Societies Act and licensed under the Act.
- (xvi) “Share Capital” shall mean members’ equity in the form of issued and fully paid up shares of common stock
- (xvii) “Share” means the amount represented by a member’s portion in the equity of a society as co-owner
- (xviii) “Tribunal” shall mean the Co-operative Tribunal established under the Co-operative Societies Act to hear and determine disputes.
- (xix) “Officer” in relation to a SACCO society, means a director or any other person, by whatever name or title he may be called or described, who carries out or is empowered to carry out functions related to the overall direction in Kenya of that deposit-taking SACCO society or takes part in the general management thereof in Kenya.
- (xx) “Place of Business” means a SACCO Society’s head branch, branch, or outlet, including a mobile unit, marketing office, automated teller machine or agency of a SACCO Society and which is open to the public.

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

## 2. NAME AND AREA OF OPERATION

- 2.1 The society shall be called **CHUNA SAVINGS AND CREDIT CO-OPERATIVES SOCIETY LIMITED**, herein after referred to in these by laws as “The SACCO Society” and its area of operation shall **BE THE REPUBLIC OF KENYA** with a **CS/NO. 2466**.

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

- 3.1 The registered office of the SACCO Society shall be at the **UNIVERSITY OF NAIROBI** and the postal address shall be: - **30197-00100, NAIROBI.**
- 3.2 Notice of any change of postal address shall be given to the Commissioner for Co-operative Development, herein after referred to as 'The Commissioner', the Sacco Societies Regulatory Authority (SASRA), herein after referred to as "the Authority" and to all members of the SACCO Society through their last known address as per records held at the SACCO Society within 30 days of such change.

### **4. OPENING AND RELOCATION OF BRANCHES**

- 4.1 The SACCO Society shall seek a written approval from the Authority to open a new branch, relocate or close a place of business.

## **SECTION 2 – GOALS AND PRINCIPLES**

### **5. OBJECTS**

- 5.1 The objects for which the SACCO Society is established are to organize and promote the quality of life of the members by providing quality financial products and services.
- 5.2 In particular, the SACCO Society shall undertake:
- (i) To promote thrift among its members by affording them an opportunity for accumulating their savings and deposits and providing them with credit exclusively for provident and productive purposes, at fair and reasonable rate of interest; thereby enabling them to use and control their money for their mutual benefit.
  - (ii) To ensure personal growth through the introduction of new products and services that will promote the economic base of the members.
  - (iii) To ensure progress of members and SACCO Society through continuous education programs on savings and proper use of credit, reduction of poverty, human dignity and co-operation.
  - (iv) To apply the co-operative principle of co-operation among co-operatives in order to promote members' interests. In furtherance to its objects, the society may affiliate to the relevant National Co-operative Union and the Apex society.
- 5.3 For the attainment of the above objects, the SACCO Society may do acts and things that are permissible under the Act and Regulations, Co-operative Societies Act and Rules and these By-laws and all such other things as are incidental or consequential to the economic enhancement of its members interests provided such act is approved by the members in a general meeting.

## 6. CO-OPERATIVE PRINCIPLES AND VALUES

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

### 6.1 PRINCIPLES

(i) ***Voluntary and open membership***

The society shall always be guided by the principle of voluntary and open membership in its member recruitment drive without political, ethnic, religious, gender or social discrimination.

(ii) ***Democratic member control***

The society will be fully controlled by members who will have equal voting rights on the basis of one member one vote.

(iii) ***Economic participation by member***

Members shall contribute equitably to the capital of the society and share in the results of its operations.

(iv) ***Autonomy and independence***

The society shall operate on mutually acceptable terms with its stakeholders who will ensure its autonomy and independence.

(v) ***Education, training and information***

The society shall foster reciprocal, on-going education programmes for members, leaders, staff and the community so that they can teach and learn from each other or from the appropriate resource persons in understanding and carrying out their respective roles.

(vi) ***Co-operation among co-operatives***

In order to better serve the interests of the members and the community, the society shall actively co-operate with other co-operatives locally, regionally, nationally and internationally.

(vii) ***Concern for community in General***

The society shall show concern to the community in which it exists and operates.

### 6.2 VALUES

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

## SECTION 3 – CAPITAL AND SHARES

### 7. CAPITAL

The capital of the society shall consist of; -

- i. Fully paid up members' shares as per bylaw 8 below, to be applied as provided for under The Act, article 59 (1);
- ii. Institutional capital requirements as may be prescribed by the Authority;
- iii. Provisioning for loan losses (bad debts) (The Act, article 40 (1) (2) (a), article 33, (3) (b))
- iv. A reserve fund maintained as required by the SACCO Act and such other reserves as may be required by the Authority.

## 8. SHARES

- 8.1 Every member shall hold at least **100** shares of **Kshs 20 (Kshs 2000)** each as shall be fixed by the General meeting. However, no member shall hold more than one-fifth of the total shares of the SACCO Society.

## 9. LIMITATION ON HOLDING SHARE CAPITAL

- 9.1 No member shall hold more than one-fifth (1/5) of the issued and paid-up share capital of the Society.

## 10. TRANSFER OF SHARES

- 10.1 With the approval of the board, a member may at any time transfer shares to another member but not to any other person. Such transfers must be in writing and at nominal value.
- 10.2 All transfers of shares shall be registered with the SACCO Society and no transfer shall be valid unless so registered. A fee of **1% of the total value of the shares transferred** shall be payable by the transferee for each such transfer.

## 11. LIABILITY IN CASE OF LIQUIDATION

- 11.1 The liability to a member shall be limited to the nominal value of the shares held by him.
- 11.2 In the event of liquidation, where available funds are insufficient to pay the full nominal value of the shares held by members; the funds shall be distributed pro-rata among the shareholders according to the amount of shares held by each.
- 11.3 In addition to (11.2) above members shall be compensated by the Deposit Guarantee Fund as provided in the Regulations.

# SECTION 4 - COMMON BOND AND MEMBERSHIP

## 12. MEMBERSHIP

Membership shall consist of:-

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



### 13. QUALIFICATION FOR MEMBERSHIP

- 13.1 A person who possesses the following qualifications shall be eligible for membership:-
- (i) Is within the field of membership consisting of the following common bond: Any **employee or ex employees** of the **University of Nairobi** and **CHUNA SACCO SOCIETY LTD.**
  - (ii) Salaried Employees from Public Institutions.
  - (iii) Has attained the age of 18 years.
  - (iv) Is of good character and sound mind.
  - (v) Pays the entrance fee and share capital as prescribed in these by-laws.
- 13.2 Provided that no member shall belong to more than one SACCO Society serving similar purpose.

### 14. APPLICATION FOR MEMBERSHIP

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

### 15. ADMISSION INTO MEMBERSHIP

- 15.1 An applicant shall be admitted to membership on application upon payment of Entrance fees of **Kshs 500** and at least **100** shares of **Kshs 20 (Kshs 2000)** as shall be fixed by the General meeting from time to time. On being admitted the member shall furnish the society with two passport size photos and a certified copy of the National Identity Card.
- 15.2 Upon admission the member’s name shall be entered in the membership register and a membership number issued.
- 15.3 Members shall be admitted by the board subject to Confirmation by the next general meeting.

### 16. REFUSAL OF ADMISSION

- 16.1 The board may refuse admission to a person after assigning reasons for their decision. Such a person, if otherwise eligible for membership, shall have the right to appeal to the next General meeting. Any such appeal must be supported by at least 10 members present and voting. The decision of the General meeting on the matter shall be final.

### 17. RIGHTS OF MEMBERS

- 17.1 Member of the SACCO Society shall have the right to:-
- i. Elect or be elected into the organ of the Society unless otherwise prohibited by any other law or these By-laws;

- ii. Attend and participate in decision making at all general meetings of the SACCO Society and vote;
- iii. Use Society's services according to the policies and procedures approved by the Board;
- iv. Submit projects or initiatives to the Board for consideration that focus on improvement of the financial services;
- v. Access all legitimate information relating to the society including; internal regulations, registers, minutes of Members Meetings, annual accounts, inventories, and investigation reports at the registered office of the society subject to: the Policy and Regulations for the time being in force.
- vi. Receive, periodically and at least once a year, a statement of Accounts containing the individualized record of his/her credit and debit transactions. Any other request will at a fee prescribed by the Management.
- vii. Other rights as prescribed by the Act and Rules.
- viii. To withdraw their savings and deposits (less any liability or obligation on their account and no outstanding collaterals or guarantees on other member's loans), from membership at any time. Shares are considered part of the Sacco's "core capital" and cannot be withdrawn, unless the Sacco is liquidated.

## **18. OBLIGATIONS OF MEMBERS**

18.1 A member of the SACCO Society shall have the obligation to:-

- (i) Observe and comply with all the SACCO Society's by-laws and decisions taken by the relevant organs of the SACCO Society;
- (ii) Buy and pay up for shares or make any other regular payments provided for in these By-laws;
- (iii) Meet the debts of the SACCO Society in case of insolvency in accordance with the provisions of the Co-operative Societies Act and these by-laws.
- (iv) To repay all outstanding loans according to the terms and conditions stated in the loan agreement and policy.
- (v) To promptly make all required contributions.
- (vi) To support issues put forth that improves the sustainability of the Society and promotes the good will of all members.
- (vii) To attend and actively participate in meetings of the Society.
- (viii) Show good co-operative spirit.
- (ix) Recruit qualified non-members who qualify and encourage them to join;

**19. MEMBER'S PERSONAL STATEMENT**

- 19.1 Every member shall receive regular statements at least once every six months, which shall contain particulars of membership, shares, deposits and loan transactions with the SACCO Society.

**20. WITHDRAWAL FROM SACCO SOCIETY**

- 20.1 A member may at anytime withdraw from the SACCO Society by giving at least sixty (60) days written notice to the board.
- 20.2 Partial withdrawal of non-withdrawable deposits from the SACCO Society shall not be allowed under any circumstance.
- 20.3 No member will be allowed to rejoin the Sacco for more than three (3) times unless with special arrangement which must be approved by the board
- 20.4 A member who willfully withdraws from the society may be readmitted after a period of one year, or such period may be determined from time to time by the board.
- 20.5 Any member who resigns and wishes to rejoin shall pay readmission fee of kshs. 1,500

**21. NOMINEE**

- 21.1 Every member shall nominate in writing one or more persons as nominee(s).
- 21.2 The names of such nominee(s) shall be entered in the nominee register.
- 21.3 Provided that a member shall have the right to change his/her nominee(s) in writing.

**22. ADMISSION OF NOMINEE**

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

**SECTION 5 – TERMINATION OF MEMBERSHIP**

Any dispute arising out of these By-laws or concerning the business of the society which cannot be settled by the board or General Meeting shall be referred to the Co-operative Tribunal. Appeals against the decision of the Tribunal shall be to the High Court whose decision shall be final.

**23. TERMINATION**

- 23.1 Membership in the SACCO Society shall cease with effect from the date of:
- (i) Death
  - (ii) Withdrawal
  - (iii) Expulsion
  - (iv) Being certified insane.

- (v) Transferring all shares to another member.
- (vi) Failure to remit regular savings and loan repayments for a continuous period of six months without valid reasons or leave of the SACCO Society.
- (vii) Ceasing to hold qualification for membership as specified in these by-laws.

## **24. SUSPENSION AND EXPULSION**

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

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

- 25.1 Upon formal and written proof that a member has committed a violation punishable by expulsion, the board shall serve a thirty (30) days written notice to the member stating the reason(s) for the proposed expulsion and requiring him/her to file a defense.
- 25.2 Upon the expiry of the 30 days and taking into consideration the member's defense if any, the board shall initiate administrative inquiry and make a decision on its findings within 15 days. The Board may;-
- a) Suspend the member pending expulsion by the General meeting or
  - b) Impose any other punishment as may be provided in this by-law or as may be directed by the general meeting from time to time.
- 25.3 A member who is suspended or expelled shall retain the right of appeal to the next General Meeting, which may reinstate him. However, the board may, on request from a member who is suspended, lift such suspension if it is convinced the member has reformed, provided that this will be reported to the next Annual General Meeting.

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

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

- (i) The deposits (both withdrawable and non-withdrawable).
- (ii) Any dividends and interests due prior to the cessation date.
- (iii) Any other funds other than shares held by the SACCO Society on his/her behalf
- (iv) The member will be allowed to transfer his/her shares to an existing member.

## 27. PAYMENT TO NOMINEE

- 27.1 The SACCO Society after obtaining such documentary proof of the death of a member as it may consider necessary, shall pay to the nominee the value of the deceased member's deposits, interest and dividend after deducting monies owed to the SACCO Society, if any.
- 27.2 Loans outstanding with the deceased member will be offset through **CHUNA MEMBERS BENEVOLENT FUND (CHUMBEFU)**, provided the deceased member was not in default in **CHUMBEFU** contribution for 3 months prior to death.

## SECTION 6 – GENERAL MEETINGS

### 28. ANNUAL AND SPECIAL GENERAL MEETINGS

- 28.1 The supreme authority of the SACCO Society shall be vested in the General Meeting of Members.
- 28.2 The General Meeting will be composed of the general members of CHUNA Sacco or delegates
- 28.3 An Annual General Meeting shall be convened within four months after the end of the SACCO Society's financial year.
- 28.4 A Special General Meeting of the SACCO Society may be held when convened by the:-
  - (i) Board.
  - (ii) Commissioner.
  - (iii) Board within 15 days of receipt of a written request by at least **1000** members.
- 28.5 Provided the request is deposited by registered mail at the Society's address or delivered to the Chief Executive Officer at the Society's offices within normal working hours.
- 28.6 If the Board fails to convene a meeting within fifteen days of receiving notice under the Co-operative Societies Act, the members in 28.4(iii) above shall give notice to the other members of the Society, stating the object and reasons for the meeting and the fact that the board has failed to convene the meeting.
- 28.7 Any business not completed at the Annual General Meeting, may be taken up at a subsequent Special General Meeting of the SACCO Society.

## 29. NOTICE OF MEETINGS

- 29.1 The General Meeting shall be convened by giving at least 15 days written notice to the members.
- 29.2 The Honorary Secretary shall take all usual steps to publish the notice of the meeting in public places, on the SACCO Society's notice board(s) and/ or in local newspapers or news-sheets, including the media or any other mode decided by the members.
- 29.3 All notices shall include a statement of the business to be dealt with.

## 30. QUORUM

- 30.1 Except when convened by the Commissioner, the presence of **at least two hundred and fifty (250) or 25%** of total number of members, whichever is less, shall constitute a quorum for the conduct of business at the General meeting. When a quorum is not attained the chairman shall adjourn the meeting and fix a date for another meeting within one month, which shall be advertised as prescribed in these by-laws. If a quorum is again not attained, the chairman shall declare the meeting open with those present one hour after the advertised time of the meeting.

## 31. DUTIES OF GENERAL MEETINGS

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

- j) Decide on the management structure, including the establishment of branches to facilitate efficient and cost effective delivery of services to members.
- k) Appoint bankers, auditors and advocates of the SACCO Society for the ensuing year.
- l) Approve affiliation to National Co-operative Organizations for SACCO societies and the Apex society.
- m) Transact any other business of the SACCO Society for which notice has been given to members in the manner prescribed in these by-laws.

### **32. RECORD OF BUSINESS**

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

### **33. CHAIRMAN AT MEETINGS**

- 33.1 The chairman or in his absence, the vice chairman shall preside at every general meeting. In their absence, any board member elected by a majority of members present shall preside failing which any person elected by a majority of those present shall preside.

### **34. ENFORCEMENT OF DECISIONS**

- 34.1 Any decisions taken by the General meeting shall be binding on all members present, absent and objecting.

### **35. MINUTES**

- 35.1 All business discussed at the General Meeting shall be recorded in a minute book which, within one month of the meeting, shall be signed by the Chairman of the meeting and at least one other board member who was present at the meeting to verify that in their opinion, the minutes are true and complete record of all important matters which were discussed or decided at the meeting.
- 35.2 At the next general meeting, the minutes shall be considered and confirmed subject to any amendments or variations approved by the members.

## SECTION 7 – BOARD OF DIRECTORS

### 36. THE BOARD

- 36.1 The board shall be the governing body of the SACCO Society elected from the members and shall consist of at least five members and not more than nine members.
- 36.2 The board shall include the Chairman, Vice chairman, Treasurer and Honorary Secretary all of whom shall be elected by the board from amongst the members of the board.
- 36.3 Members of the board shall hold office for a period of three years provided that one-third of the board members shall retire every year but will be eligible for re-election.
- 36.4 Where the membership of the board falls below five the board shall co-opt qualified member(s) into the board until the next General meeting.

### 37. ELIGIBILITY FOR MEMBERSHIP TO THE BOARD

- 37.1 No person shall be eligible as a member of Board if he/she;-
- a) Has not been a member of the SACCO Society **for two** years prior to the Annual General Meeting.
  - b) Has been adversely named by the Commissioner or his/her representative in an inquiry report endorsed by an Annual or Special General meeting for mismanagement or corrupt practices whilst still a member of the Board of a co-operative society or union in the last ten years, or named in any other national inquiries where he/ she has been shown to be engaging in dishonest activities,
  - c) Has been adversely named by the Authority in an inspection report for mismanagement or corrupt practices while still a member of the board of a SACCO Society.
  - d) Has been charged of any offence involving dishonesty, a crime involving fraud, perjury or breach of contract of a licensed financial institution.
  - e) He/she does not have minimum non withdrawable deposits of **Kshs 100,000**
  - f) Is delinquent on loans with the SACCO for more than 90 days within 2 years prior to elections;
  - g) Does not have at least secondary level of education
  - h) Is un discharged bankrupt ;
  - i) He/she is under twenty one years of age
  - j) Is of unsound mind;
  - k) Is a Board member of another existing SACCO Society licensed under the Act;



- l) Is an official of or holds a political office at any level
- m) Does not conform to minimum qualification standards in accordance to the applicable law.
- n) Has been removed from public office on disciplinary action.
- o) Has not duly executed the Fit and Proper Test form as provided in the Regulations
- p) Lends money on his own account
- q) Holds any money belonging to the society other than a loan at the end of the financial year.

### **38. ELECTIONS**

- 38.1 The board shall notify the members of the vacancies arising in both the board and the Supervisory Committee.
- 38.2 During elections, the Returning officer shall present duly nominated candidates for the vacant positions. Each candidate must have a proposer and a seconder.
- 38.3 At the elections, members shall decide, by majority vote, the method of voting. The method may be secret ballot or queuing or by show of hands.
- 38.4 No member shall be entitled to vote by proxy.
- 38.5 Irrespective of the number of shares held by him, no member shall have more than one vote.
- 38.6 Within fourteen (14) days of the elections, the Chief Executive Officer shall forward to the Commissioner and the Authority the names and addresses of all persons elected.
- 38.7 A new board or committee member elected at the General Meeting shall not assume office unless they have been cleared by the Authority and satisfied the requirements of the Co-operative Societies Act, Rules and these by-laws as to the indemnity and ethics.

### **39. BOARD MEETINGS**

- 39.1 The board shall meet not more than twelve (12) times in a financial year and not more than two months shall lapse between the date of one meeting and the date of the next meeting. At least 5 members shall form a quorum for disposal of business.
- 39.2 If a member of the board fails to attend three consecutive meetings without being excused thereon, or otherwise fails to perform his/her duties, the position shall be declared vacant and may be filled as provided for in these by-laws.

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

- 40.1 All business discussed or decided at the Board Meeting shall be recorded without erasures and corrections in a Minute Book, which within one week of the meeting, shall

be signed by the Chairman of the meeting and at least one other board member who was present at the meeting, to indicate that in their opinion the minutes are a true and complete record of all matters discussed or decided at the meeting.

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

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

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

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

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

- 42.1 In the conduct of the affairs of the SACCO Society, the members of the board shall exercise the prudence and diligence of ordinary men of business and shall be held jointly and severally liable for any losses sustained through any of their acts, or failure to act, which are contrary to the Act, the Regulations, any other applicable law these By-laws or the directions of the General meeting.

## **43. DELEGATION TO EMPLOYEES**

- 43.1 The board may member to the chief executive officer of the SACCO Society such duties as it deems fit.

43.2 Nothing in (43.1) above shall absolve the board from its responsibility of running the affairs of the SACCO Society in a proper and businesslike manner.

#### **44. INDEMNITY**

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

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

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

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

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

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

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

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

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

- (i) Ceases to hold qualifications of a Board of Director as specified in the Act, Regulations and these By-laws;
- (ii) Is removed by the Authority under the provisions of the Act and Regulations;
- (iii) Is removed by the Commissioner under the provisions of Co-operative Societies Act and the Rules.

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

48.1 The board chairman shall:

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

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

#### **49. TREASURER**

49.1 The duties of the Treasurer shall include:-

- a) Generally to manage or cause to be managed the financial affairs of the Society in a competent manner;
- b) To ensure, maintain or cause to maintain full and complete records of all monies received and disbursed by the society and of all assets and liabilities of the Society.
- c) To ensure the safe keeping of the society's money and security of all accountable documents and books of account.
- d) To ensure that all payments and expenditures are fully authorized and enforce all Rules regarding good financial Management and practices as ordered by the Board.
- e) To ensure compliance with all directives of the Board and the commissioner/Authority
- f) Present to the Board each month an up-to-date listing of overdue borrowers;
- g) Prepare or cause to be prepared and forward to the Authority such financial reports as required by the Act and Rules;
- h) To sign on behalf of the society all documents contracts and cheques of the Society

## **50. HONORARY SECRETARY**

50.1 The duties of the Honorary Secretary are to:

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

## **SECTION 8 – COMMITTEES OF THE BOARD AND THEIR FUNCTIONS**

### **51. BOARD COMMITTEES**

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

- b) May member to the management any of their functions but shall ultimately bare responsibility

## 52. FINANCE AND ADMINISTRATION COMMITTEE

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

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

**53. EDUCATION COMMITTEE**

- 53.1 The Education Committee shall consist of three members appointed from the board. Its duties among others shall be to:
- a) Review and recommend education programmes for members, board members, and the general public for approval by the board.
  - b) Monitor implementation of educational programs formulated to ensure that the members and the board are well trained and prepared for the tasks they are entrusted with.

**54. AUDIT COMMITTEE**

- 54.1 The audit committee shall consist of not more than three members appointed from the board, one of whom shall be conversant with financial and accounting matters. The chairman of the board shall not be a member of the Audit committee.
- 54.2 The primary responsibility of the Audit committee shall be as prescribed in the Regulations which includes:-
- (i) Ensuring establishment and review of the internal control system.
  - (ii) Review performance and findings of the internal auditor and recommend remedial actions regularly and at least once in every three months;
  - (iii) Recommending three names of external auditors and the remuneration to the board;
  - (iv) Reviewing coordination between internal and external audit functions as well as monitor external auditors independence and objectivity;
  - (v) Report to the board on their findings and recommendations;

**55. CREDIT COMMITTEE**

- 55.1 The credit committee shall consist of three members of the Board whose chairman shall be the board vice chairman, Its duties among others shall be to:-
- (i) Ensure establishment and review of appropriate credit policy consistent with the relevant provisions of the Regulations and these by laws.
  - (ii) Ensure that the problem loan accounts are adequately identified and classified as prescribed in the Regulations.
  - (iii) Ensure adequate provisions for potential loss is maintained.
  - (iv) Review periodic credit and loan portfolio reports of the SACCO Society before submission to the board.

## SECTION 9 - SUPERVISORY COMMITTEE

### 56. SUPERVISORY COMMITTEE

- 56.1 The SACCO Society shall have a supervisory committee consisting of three members each elected at the General meeting for a period of three years and one member of the supervisory committee shall retire annually. No person who has been a member of the board within two (2) years preceding the date of the anticipated election shall be eligible for membership of the supervisory committee.
- 56.2 The committee shall:
- (i) Have qualifications similar to those of members of the Board.
  - (ii) Be required to have at least some knowledge of accounts.
  - (iii) Be removed by a resolution of the general meeting.
- 56.3 The supervisory committee shall hold quarterly meetings save for joint meetings between its members and those of the Board.

### 57. DUTIES OF THE SUPERVISORY COMMITTEE

- 57.1 The duties of the supervisory committee shall include:
- (i) Counterchecking, the effectiveness of the society's internal control systems through:-
    - a) Verification of all transactions of the SACCO Society.
    - b) Writing periodic report to be tabled at board meetings
    - c) Submission of its reports to the commissioner
    - d) Presenting its reports to general meeting.
  - (ii) The supervisory committee shall not perform the duties or exercise any of the powers of the board.
  - (iii) The supervisory committee shall be held liable for any loss incurred due to their negligence in performing their duties.
  - (iv) The Supervisory Committee shall serve as the appeal committee to hear appeals from suspended members



## SECTION 10 – DUTIES AND RESPONSIBILITIES OF OPERATIONAL MANAGEMENT

### 58. THE CHIEF EXECUTIVE OFFICER

- 58.1 The chief executive officer shall be appointed by the board and shall be responsible for the day to day operations of the SACCO Society and in particular ensure;
- (i) The implementation of and adherence to the policies, procedures and standards;
  - (ii) Systems that have been established to facilitate efficient operations and communication are followed
  - (iii) The planning process that has been developed to facilitate achievement of targets and objective is adhered to.
  - (iv) All staff matters, particularly human resource development and training are attended to.
  - (v) Adherence to the established code of conduct;
  - (vi) Compliance with the Act, Regulations, Co-operative Societies Act, Rules these by laws and any other applicable laws.
- 58.2 The Chief Executive Officer shall ensure that the board is frequently and adequately appraised on the operations of the SACCO Society through presentation of relevant reports which shall cover, but not limited to the following:-
- (i) Financial statements (monthly, quarterly and annual);
  - (ii) Showing current compared with past period actual performance, the budget compared with the actual and with explanations for any variances;
  - (iii) Capital structure and adequacy;
  - (iv) Delinquent loan list, and in particular growth in loans, loan losses, recoveries and provisioning;
  - (v) Statement of comprehensive income (monthly, quarterly and annual) comparison with budgeted against actual;
  - (vi) Sources and application of savings and deposits;
  - (vii) All insider lending and non-performing insider loans if any.
  - (viii) Violation of the Act, these regulations and any other applicable law, and remedial actions taken to comply;
  - (ix) Large risk exposures;

(x) Investment portfolio;

58.3 The chief executive officer shall;

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

## SECTION 11 - FUNDS OF THE SACCO SOCIETY

### 59.FUNDS

The funds of the Society shall consist of:

#### 59.1 Core Capital

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

#### 59.2 Income

- (i) Interest, fees and charges, penalties, and commissions
- (ii) Entrance fee of **Kshs 500**
- (iii) Any donations, grants or gifts from other bodies, organizations or individuals
- (iv) Funds obtained from other lawful miscellaneous sources

#### 59.3 Liabilities,

The liabilities include deposits from members and borrowings from other sources as may be prescribed by the Authority.

Funds obtained from lawful miscellaneous sources.

### 60.CAPITAL ADEQUACY

60.1 The SACCO Society shall at all times maintain capital adequacy requirements as prescribed in the Act and Regulations.

**61. APPLICATION OF FUNDS**

- 61.1 The funds of the SACCO Society shall only be applied for the promotion of the stated objects of the SACCO Society as set forth in these by laws, and shall be invested as prescribed in the Act and Regulation:
- 61.2 Investments under 23.3 above shall not in the aggregate, exceed such proportion of total assets, core capital and deposits of the SACCO Society as prescribed in the Regulations.

**62. POWER TO BORROW**

- 62.1 Loans may be obtained from non-members subject to the maximum amount and terms approved by the General meeting provided the total external borrowing by the SACCO Society does not exceed the limit prescribed in the Regulations.
- 62.2 For the securing of any loans accepted by the SACCO Society under 27(1) the SACCO Society may grant a charge over its assets. The authority to grant a charge shall be reserved to the General meeting.
- 62.3 The maximum liability fixed shall be subject to the approval of the Commissioner who may at any time reduce it or impose such condition as he may deem necessary
- 62.4 The rate of interest on loans shall not exceed the current market rate.

**63. RECEIPTING OF MONEY**

- 63.1 Money received on account of shares, deposits, Loans, interests, fees or fines shall be recorded and evidenced as provided in the approved policies and procedures manuals.

**64. PAYMENT AND DISBURSEMENT**

- 64.1 Payments made by the SACCO Society shall be recorded and evidenced as provided for in the approved policy and procedure manual.

**65. EXPENDITURE**

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

**66. BOOKS OF ACCOUNTS AND RECORDS**

- 66.1 The SACCO Society shall keep up to date and in a proper businesslike manner, electronic or otherwise, such books of accounts and records as stipulated in Co-operative Societies Act and Rules, and in particular:-
- a) A register of members showing in respect of each member:
    - (i) Name, age, date of application for membership, address and occupation;
    - (ii) Date of admission to membership;
    - (iii) Date of cassation of membership,

- (iv) Name and particulars of nominees,
  - (v) Any other information as may be required by the SACCO Society from time to time, and
  - (vi) Number and Value of shares held
- b) Minute books giving details of proceedings of board, Board committees, joint board and Supervisory Committee, Supervisory Committee meetings and all other committee meetings held in accordance with these by-laws.
  - c) Minute book giving details of proceedings at the General meetings.
  - d) A cashbook showing the details of all monies received or paid out by the SACCO Society.
  - e) A general ledger containing such accounts as is necessary to accurately reflect the business of the SACCO Society.
  - f) A personal ledger for each member showing his/her transactions with the SACCO Society.
  - g) A register of assets and property.
  - h) A register of loans to members showing in respect of each loan; the loan number, name of the borrower, the amount borrowed, the purpose of the loan, security, the due date of repayments and the date repayments were completed.
  - i) Such other books and records as the board or the Authority may decide or prescribe.

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

## **67. DISTRIBUTION OF SURPLUS FUNDS**

- 67.1 Subject to the Act, Regulations and approval by the General meeting, the net surplus resulting from operations of the SACCO Society during any financial year may be disposed of as follows:
- a) Credited to the Reserve Fund.
  - b) By the General Meeting for:
    - (i) Paying dividends on shares
    - (ii) Being forwarded to Education Fund or any other fund or funds of the SACCO Society including the appropriations.
    - (iii) Paying honorarium to Board members and bonus to staff.
    - (iv) In any other way recommended by the board and approved by the General Meeting.

## SECTION 12 - GENERAL PROVISIONS AND/OR MISCELLANEOUS ITEMS

### 68. POLICIES & PROCEDURES

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

### 69. CODE OF CONDUCT

69.1 The officers of the SACCO Society shall comply with governance rules as prescribed by the ethics commission for cooperatives.

69.2 The SACCO Society shall formulate a code of conduct in accordance with third schedule of the regulations which shall be approved by the Authority.

### 70. COMMON SEAL

70.1 The SACCO Society shall adopt and use a common seal. The seal shall have an imprint bearing the words "seal of **CHUNA SAVINGS AND CREDIT CO-OPERATIVES SOCIETY LIMITED**" which shall be different from the ordinary name-stamp of the SACCO Society.

- i) The seal shall be kept securely under lock and key by the chief executive officer and be used only in the presence of the officers authorized to sign documents on behalf of the SACCO Society.
- ii) Where the common seal is used in any document it shall be authenticated by the signature of the board chairman and the chief executive officer or any other officer authorized by the board of the SACCO Society.

### 71. FINANCIAL YEAR

71.1 The financial year of the SACCO Society shall be from 1<sup>st</sup> January to 31<sup>st</sup> December

### 72. FINES

72.1 For any breach of these by-laws or lawful instructions issued by the Board and General meeting, or failure to honour his obligations on time, the member may be fined an amount not exceeding **Kshs.20, 000**.

### 73. DISPUTES

73.1 If any dispute concerning the business of the SACCO Society arises: -

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

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

#### **74. INSPECTION OF DOCUMENTS**

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

#### **75. MISCELLANEOUS**

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

#### **76. DISSOLUTION**

- 76.1 The SACCO Society shall be dissolved in accordance with the procedures set forth in the Co-operative Societies Act, Rules and the Regulations.

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

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

**78. ACCEPTANCE**

78.1 We the undersigned Board Members of **CHUNA SAVINGS AND CREDIT CO-OPERATIVES SOCIETY LIMITED** named herein do hereby accept these by laws for and on behalf of the SACCO Society.

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

**OFFICIAL CERTIFICATION**

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

**COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT**