BANKIGA DHEXE EE SOOMAALIYA

البنك المركزي الصومالي

CENTRAL BANK OF SOMALIA

REGULATION FOR THE SAVINGS AND CREDIT COOPERATIVE SOCIETIES, 2026

CBS/LCR/REG/06

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PART I: PRELIMINARY

IN EXERCISE of the powers conferred by Article 142, of the Financial Institution Law, 2025, the Central Bank of Somalia makes these Regulations—

1. Citation

These Regulations may be cited as the Financial Institutions (Savings and Credit Cooperative Societies) Regulations, 2026

2. Application and Scope

(1) These Regulations shall apply to all SACCOs operating or seeking to operate within Somalia, whether deposit-taking or non-deposit-taking.

(2) These Regulations shall not apply to banks, microfinance institutions, payment service providers, insurers, or other financial institutions licensed under the Act or other written laws, except to the extent that they operate a SACCO or provide services to a SACCO; or

(3) For greater certainty, a cooperative society registered under the Cooperative Law that does not mobilise deposits or provide credit as a principal activity shall not be deemed to be a SACCO for purposes of these Regulations.

(4) Where any question arises as to whether an activity constitutes SACCO business requiring licensing, registration, authorisation, or supervision under the Act, the determination of the Bank shall prevail.

3. Object and Purpose

The objects of these Regulations are to—

(a) provide for the licensing, regulation and supervision of SACCOs as financial institutions under section 6(1)(h) of the Act;

(b) promote the safety, soundness and sustainability of the SACCO sector and contribute to the stability and integrity of Somalia's financial system;

(c) safeguard the interests of members, depositors and other stakeholders;

(d) establish prudential, governance, risk management and consumer protection standards proportionate to the nature and scale of SACCO activities; and

(e) promote financial inclusion through safe and responsible cooperative finance.

4. Commencement Date

(1) These Regulations shall come into force immediately upon approval by Central Bank of Somalia Board of Directors and on publication in the Central Bank of Somalia Website.

5. Interpretations

In these Regulations, unless the context otherwise requires—

1. "Act" means the Financial Institutions Law, 2025;
2. "Bank" means the Central Bank of Somalia established under the Central Bank of Somalia Act;
3. "Capital adequacy ratio or "CAR" means the ratio of a SACCO's regulatory capital to its risk-weighted assets as directed by the Bank;
4. "Cooperative Law" means the Cooperative Development Law or any other law relating to registration and governance of cooperative societies in Somalia;
5. "Core capital" means paid-up share capital, retained earnings, and disclosed reserves, and such other capital elements as may be recognised by the Bank;
6. "deposit" means money received from a member on terms under which it will be repaid wholly or partly, with or without profit, or other return, and includes savings, fixed, or demand deposits;
7. "Deposit-taking SACCO" means a SACCO licensed by the Bank to mobilize deposits and provide savings and credit facilities to its members in accordance with these Regulations;
8. "Financial Reporting Centre" means the Financial Reporting Centre established under the Anti-Money Laundering and Countering the Financing of Terrorism Act;
9. "Fit and proper person" means a person who satisfies the integrity, competence, and financial-soundness criteria determined by the Bank;
10. "member" means a natural or legal person admitted into membership of a SACCO in accordance with its by-laws;
11. "non-deposit-taking SACCO" means a SACCO that provides credit services using members' share capital, retained earnings or other approved sources of funding but does not mobilise deposits;
12. "non-performing loan" means a loan or advance that remains unpaid for more than ninety (90) consecutive days or otherwise classified by the Bank as substandard, doubtful or loss;

13. “Registrar of Cooperatives” means person responsible for the registration and administration of cooperative societies under the Cooperative Law;

14. “Risk-weighted assets” means total assets and off-balance sheet exposures weighted for credit, operational, and other risks in accordance with prudential standards as may be issued by the Bank; and

15. “Savings and Credit Cooperative Society” or “SACCO” means a member-owned financial cooperative established for the purpose of mobilising savings and providing credit and related financial services to its members, and licensed, regulated, and supervised by the Bank under the Financial Institutions Law and these Regulations

PART II: LICENSING OF SACCOs

6. Requirement for a Licence

(1) A person shall not establish, operate, or hold out as a SACCO within Somalia unless licensed by the Bank under the Act and these Regulations.A person who contravenes subsection (1) commits an offence and is liable to the penalties provided under the Act.

(2) A SACCO shall not commence operations until it has been granted a license by the Bank.

7. Categories of SACCOs

(1) A SACCO shall be licensed as either—

(a) a deposit-taking SACCO; or

(b) a non-deposit-taking SACCO.

(2) A deposit-taking SACCO may accept withdrawable deposits from its members.

(3) A non-deposit-taking SACCO shall not accept withdrawable deposits from its members.

8. Eligibility for Licensing

(1) No person shall be eligible for licensing under these Regulations unless first registered under the Cooperative Development Law

(2) An applicant for a license shall—.

(a) be duly registered under the Cooperative Law;

(b) have a principal place of business in Somalia;

(c) satisfy the requirements of the Act and these Regulations;

(d) demonstrate the capacity to conduct SACCO business in a safe and sound manner.

9. Application for a Licence

(1) An application for a license shall be made to the Bank in the form set out in the First Schedule and application fees of US$ 200 and US$ 100 for a deposit-taking SACCO and a non-deposit-taking respectively.

(2) Upon acceptance of a complete application, a deposit-taking SACCO and a non-deposit-taking shall pay a license fee of US$2000 and US$ 1000 respectively. The same fees shall apply for license renewal.

(3) An application under paragraph (1) shall be accompanied by—

(a) proof of registration under the Cooperative Development Law;

(b) the applicant's constitutional documents and by-laws;

(c) evidence of the required capital and financial resources;

(d) particulars of the place of business, including the head office and any proposed branches;

(e) a business plan;

(f) information relating to the proposed directors, committee members, senior management, and significant shareholders;

(g) proposed governance, risk management, and internal control arrangements; and

(h) the prescribed fee.

(3) The Bank may request such further information as it may deem necessary to assess the application.

10. Additional Requirements for Deposit-taking SACCOs.

(4) An applicant seeking a license as a deposit-taking SACCO shall, in addition to the requirements specified under this regulation, demonstrate that it has adequate—

(a) systems for mobilisation, management, and protection of deposits;

(b) liquidity management arrangements;

(c) risk management and internal control systems;

(d) accounting, record-keeping, and reporting systems; and

(e) such other arrangements as may be necessary for the safe conduct of deposit-taking business.

11. Minimum Membership and Capital Requirements

(1) An applicant for a license as a non-deposit-taking SACCO shall demonstrate that it has— the financial soundness, integrity, and suitability of the applicant and its shareholders;

(a) not fewer than one hundred registered members; and

(b) minimum paid-up share capital of not less than USD 5,000.viability of the proposed business model;

(2) An applicant for a licence as a deposit-taking SACCO shall demonstrate that it has—

(a) not fewer than two hundred registered members; and

(b) minimum paid-up share capital of not less than USD 30,000

(3) Every licensed non-deposit-taking SACCO shall build and maintain paid-up share capital of not less than USD 10,000 within twenty-four months from the date of licensing or such longer period as the Bank may approve upon application made before the expiry of that period.

4) Every licensed deposit-taking SACCO shall build and maintain paid-up share capital of not less than USD 50,000 within twenty-four months from the date of licensing or such longer period as the Bank may approve upon application made before the expiry of that period.

(5) A SACCO shall maintain the minimum membership and capital requirements applicable to its license category at all times.

(6) Where a SACCO no longer complies with the requirements prescribed under this regulation, it shall notify the Bank within fourteen days and submit a corrective action plan within such period as the Bank may specify

12. Grant of Licence

(1) The Bank, within ninety days of receiving a complete application, grant a licence where it is satisfied that the applicant has complied with the Act and these Regulations.

(2) A license granted under these Regulations shall specify whether the SACCO is licensed as—

(a) a deposit-taking SACCO; or

(b) a non-deposit-taking SACCO.

(3) The Bank may grant a license subject to such conditions, restrictions, or limitations, as are necessary for the safe and sound operation of the SACCO and the protection of members and depositors.

(4) A SACCO shall not commence business until it has received a license from the Bank and complied with any pre-commencement conditions specified by the Bank. The Bank shall notify the applicant in writing of its decision to grant or refuse the license, stating reasons in the event of refusal.

13. Refusal of Licence

(1) The Bank may refuse to grant a license where—

(a) the applicant fails to satisfy the requirements of the Act or these Regulations;

(b) the application contains false, misleading, or materially incomplete information;

(c) the applicant fails to demonstrate adequate financial resources, governance arrangements, systems, controls, or operational readiness;

(d) any proposed director, committee member, senior officer, significant shareholder, or key person is not fit and proper;

(e) the ownership, governance, funding, or business model of the applicant is not transparent or is inconsistent with safe and sound SACCO operations; or

(f) the Bank considers that granting the license would be contrary to the interests of members, depositors, the SACCO sector, or financial stability.

(2) Where the Bank refuses to grant a license, it shall withing seven days of the decision notify the applicant in writing and state the reasons for the refusal.

14. Non-commencement of Business

(1) Where a SACCO fails to commence business within twelve months after the grant of a license, the license shall lapse unless the Bank approves an extension in writing.

(2) An application for extension under sub-regulation (1) shall be made before the expiry of the twelve-month period and shall state the reasons for non-commencement.

(3) The Bank may approve an extension subject to conditions.

15. Validity and Renewal of a License

(1) A license issued under these Regulations shall be valid for a period of two years shall expire on 31st December of the second year after issuance, unless earlier suspended, revoked, surrendered, or otherwise terminated under the Act or these Regulations.

(2) An application for renewal of a SACCO license shall

a. be submitted to the Central Bank no later than 1st October of the second year of the licence validity period;

b. be made in writing in the form prescribed by the Central Bank in the Schedules to these Regulations;

c. be accompanied by all required supporting information and documents specified under these Regulations; and

d. be accompanied by the prescribed license renewal fee described in the Fees Schedule.

(3) The Central Bank may require any other information from the SACCO that it deems necessary to complete its assessment of the application for renewal.

(4) The Central Bank will renew the license for a SACCO with or without amendments or restrictions, when it is satisfied that the SACCO has complied with the Financial Institutions Law, 2025, these Regulations, and the biennial license fee has been paid.

(5) Within 90 days, the Central Bank shall either renew the SACCO license with or without amendments or restrictions, or notify the SACCO of the Central Bank's intent to revoke the license.

(6) Failure to renew the license within the period specified in sub-regulation (2) or submission of an incomplete application shall be subject to a penalty of US$ 300 for

non-deposit-taking SACCO and US$ 500 for deposit-taking SACCO, and an additional penalty of US$ 50 for non-deposit-taking SACCO and US$ 100 for deposit-taking SACCO for each day of operating without a renewed license, up to a maximum penalty of US$ 3,000 for non-deposit-taking SACCO and US$ 6,000 for deposit-taking SACCO.

16. Conditions of Licence

(1) A licensed SACCO shall comply with—
(a) the Act and these Regulations;

(b) its by-laws;

(c) any condition attached to its license; and

(d) any lawful directive, order, or requirement issued by the Bank.

17. Amendment of Licence

(1) A SACCO shall obtain the prior written approval of the Bank before—

(a) changing its license category;

(b) undertaking a material change in its business activities;

(c) opening, relocating, temporarily closing, or permanently closing a branch, office, outlet, or other place of business;

(d) appointing an agent or entering into an agency arrangement;

(e) changing its name, registered office, principal place of business, or by-laws in a manner that affects regulated SACCO business; or

(f) undertaking any other change requiring approval under the Act or these Regulations.

(2) An application for approval under sub-regulation (1) shall be made in writing and shall be accompanied by information sufficient to enable the Bank to assess the proposed change.

(3) The Bank may approve the application with or without conditions or refuse the application and give reasons for refusal.

18. Suspension of Licence

(1) The Bank may suspend a license, in whole or in part, where the SACCO—

(a) contravenes the Act, these Regulations, its by-laws, or a condition of licence;

(b) fails to comply with a lawful directive, order, or requirement of the Bank;

(c) ceases to satisfy the requirements for licensing;

(d) conducts its affairs in an unsafe, unsound, fraudulent, or otherwise improper manner;

(e) fails to maintain prescribed capital, liquidity, governance, or risk management requirements; or

(f) poses a risk to members, depositors, creditors, the SACCO sector, or financial stability.

(2) Before suspending a license, the Bank shall give the SACCO written notice of the proposed suspension and an opportunity to make representations within a period specified in the notice.

(3) The Bank may suspend a license without prior notice where immediate action is necessary to protect members' funds, depositors, creditors, or financial stability. (2) A suspension may be imposed pending completion of corrective measures.

(4) A suspension may—

(a) apply to all SACCO business or specified activities;

(b) prohibit the mobilisation of new savings or deposits;

(c) restrict lending, dividend payment, branch expansion, or digital services;

(d) require corrective measures within a specified period; or

(e) impose such other temporary measures as are necessary to protect members and depositors.

(5) The Bank shall notify the SACCO in writing of the suspension, the reasons for the suspension, and any conditions for lifting the suspension.

19. Revocation of Licence

(1) The Bank may revoke a license where—

(a) the grounds for suspension persist or are of a serious nature

(b) the license was obtained through fraud, misrepresentation, or concealment of a material fact

(c) the SACCO ceases to conduct SACCO business;

(d) the SACCO becomes insolvent or is unable to meet its obligations as they fall due

(e) the SACCO fails to implement corrective measures required by the Bank;

(f) the SACCO engages in criminal, fraudulent, unsafe, or unsound practices; or

(g) revocation is otherwise necessary in the public interest or for the protection of members, depositors, creditors, or financial stability.

(2) Before revoking a license, the Bank shall give the SACCO written notice of the proposed revocation and an opportunity to make representations within a period specified in the notice.

(3) The Bank may revoke a license without prior notice where delay would materially prejudice members, depositors, creditors, or financial stability.

(4)Where the Bank revokes a license, it may issue directions for—

(a) preservation of the SACCO's assets, books, and records;

(b) settlement or transfer of members' deposits, savings, shares, loans, and other obligations;

(c) restriction of further business;

(d) notification to members, creditors, and the Registrar of Cooperatives; and

(e) orderly winding up, restructuring, merger, or other appropriate action under applicable law.

(5) A SACCO whose license has been revoked shall not carry on SACCO business except to the extent permitted by the Bank for purposes of winding up or settling obligations.

20. Review of Licensing Decisions

(1) A SACCO aggrieved by a licensing or revocation decision of the Bank may, within thirty(30) days of notification, apply in writing for an internal review by the Governor of the Bank.

(2) An application for review shall state the grounds of review and be accompanied by any supporting documents.

(3) The Governor may constitute an internal review panel to examine the matter and issue a reasoned determination within sixty days.

(4) An application for review shall not operate as a stay of the decision unless the Bank orders otherwise.

(5) Nothing in this regulation shall limit the right of a person to seek judicial review in accordance with applicable law.

PART III OPERATIONS AND PRUDENTIAL REQUIREMENTS

21. Permissible and Prohibited Activities

(1) A licensed SACCO may—

(a) mobilize savings from its members;

(b) receive deposits from its members, where licensed as a deposit-taking SACCO;

(c) provide loans and credit facilities to its members in accordance with these Regulations and its bylaws;

(d) maintain accounts and place deposits with licensed financial institutions; or

(e) participate in payment systems approved by the Bank.

(2) A SACCO shall not—

(a) accept deposits from non-members unless expressly authorised by the Bank;

(b) engage in foreign exchange business, securities dealing insurance business, or other regulated financial activities except as authorised under applicable law;

(c) engage in speculative or high-risk investment activities;

(d) issue or underwrite securities; or

(e) engage in any other business that may expose members' deposits to undue risk.

(3) A SACCO may, with prior written approval of the Bank, establish or participate in service entities providing administrative, technological, training, property management, or other support services.

22. Membership and Shareholding

(1) Membership in a SACCO shall be voluntary and open to persons that satisfy the eligibility criteria set out in its by-laws and these Regulations.

(2) A SACCO shall maintain a current register of members and their shareholding.

(3) A member who ceases membership shall remain liable for obligations incurred before cessation of membership.

(4) A SACCO shall establish transparent procedures governing admission, suspension, expulsion, and withdrawal of members.

23. Savings and Deposit Management

(1) A SACCO shall develop and maintain written policies governing the mobilisation, management, protection, and withdrawal of member savings and deposits.
(2) A deposit-taking SACCOs shall implement measures to safeguard member deposits and maintain adequate systems for liquidity management.
(3) The Bank may issue additional measures for safeguarding and management of member deposits.

24. Loans and Credit Administration

(1) A SACCO shall maintain written policies and procedures on loan origination, appraisal, approval, disbursement, monitoring, provisioning and recovery.

(2) Credit facilities shall be granted on the basis of the member's repayment capacity, security, guarantees, savings history, or such other criteria as may be approved by the SACCO.

(3) A SACCO shall establish prudent limits on member borrowing and credit concentration.

(4) Loans to directors, committee members, officers, employees, or related parties shall be conducted on arm's-length terms and shall be disclosed in the annual financial statements.

(5) The Bank may issue directives prescribing limits on insider lending, loan concentration, and credit exposures.

25. Capital Adequacy and Liquidity Requirements

(1) Every SACCO shall maintain—

(a) a minimum capital adequacy ratio of six per cent (6%) of risk-weighted assets; and

(b) a minimum liquidity ratio of fifteen per cent (15%) of total deposits and short-term liabilities

(2) The Bank may approve seasonal adjustments to liquidity requirements for SACCOs operating in agricultural or other cyclical sectors

(3) A SACCO shall maintain a statutory reserve fund equivalent to at least ten per cent (10%) of its annual surplus, which shall not be distributed as dividends.

(4) The Bank may, by notice in writing, vary prudential ratios from time to time, having regard to prevailing economic conditions and financial stability considerations.

26. Investments and Asset Management

(1) A SACCO shall invest its funds in a prudent manner consistent with the protection of members' funds, liquidity requirements, and sound financial management.

(2) A SACCO shall not invest more than ten per cent (10%) of its total assets in non-core or high-risk activities.

(3) Permissible investments include—
(a) placements or deposits with licensed financial institutions;

(b) Government securities; and

(c) collective investment schemes approved by the Bank; and

(d) investment instruments approved by the Bank.

(3) A SACCO shall not make material investments in non-core business activities without the prior approval of the Bank.

27. Statutory Reserves and Surplus Allocation

(1) At the close of every financial year, a SACCO shall appropriate its net surplus as follows—

(a) not less than ten per cent (10%) to the statutory reserve fund;

(b) such amount as may be approved for education, training, or development purposes; and

(c) the balance in accordance with its by-laws and these Regulations.

(2) A SACCO shall not declare or pay dividends, bonuses, or distributions where such payment would cause non-compliance with prudential requirements.

28. Risk management and Internal Controls

(1) A SACCO shall establish a risk management framework approved by its board.

(2) The framework shall address, at a minimum—

(a) credit risk;

(b) liquidity risk;

(c) operational risk;

(d) information technology and cybersecurity risk;

(e) compliance risk; and

(f) governance risk.

(3) Every SACCO shall maintain an internal audit function appropriate to the size and complexity of its operations.

(4) A SACCO shall establish business continuity and disaster recovery arrangements.

29. Asset Classification and Provisioning

(1) A SACCO shall classify its loan portfolio and make provisions as follows—

Loan Category	Days in Arrears	Provision (%)
Performing	Up to 30 days	1
Watch List	31–90 days	10
Substandard	91–180 days	25
Doubtful	181–360 days	50
Loss	Over 360 days	100

(2) The Bank may, from time to time, amend the classification thresholds and provisioning rates under paragraph (1) to align with evolving financial sector conditions.

(3) profit accruing on non-performing loans shall not be recognized as income.

(4) A SACCO shall maintain records of restructured, rescheduled or non-performing facilities.

30. Consumer Protection and Disclosure

(1) A SACCO shall provide members with clear, accurate, and timely information concerning—

(a) savings products;

(b) deposit products;

(c) financing and loan products;

(d) applicable fees, charges, profit rates; and

(e) members' rights and obligations.

(2) A SACCO shall not impose hidden or retrospective charges or vary terms without giving at least fourteen (14) days' written notice to members.

(3) A SACCO shall establish procedures for receiving, investigating, and resolving member complaints.

29. Integration with Digital systems

(1) A deposit-taking SACCO shall integrate its operations with the Somalia Instant Payment System (SIPS) or such other system designated by the Bank.

(2) A SACCO shall maintain secure electronic records and appropriate cybersecurity controls.

(3) A SACCO shall comply with technical, reporting, interoperability, and information security standards issued or advised by the Bank.

PART IV — GOVERNANCE AND MANAGEMENT

31. Governance Principles

(1) Every SACCO shall be governed in accordance with sound governance practices and the cooperative principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education and training, cooperation among cooperatives, and concern for community.

(2) The board of a SACCO shall be responsible for the overall direction, oversight, and sustainability of the SACCO.

(3) A SACCO shall maintain governance arrangements that ensure—

(a) an appropriate separation between governance and management functions;

(b) accountability of directors, officers and committees to members and the Bank; and

(c) prudent management of the affairs of the SACCO;

(d) compliance with the Act, these Regulations, and any applicable prudential requirements.

32. Composition of the Board

(1) Every SACCO shall have a board consisting of not fewer than five (5) and not more than seven (7) directors elected in accordance with its by-laws.

(2) Directors shall be non-executive and shall be elected from among the members of the SACCO.

(3) A deposit-taking SACCO shall have at least one independent director.

(4) For the purposes of these Regulations, an independent director means a director who—

(a) is not involved in the day-to-day management of the SACCO;

(b) does not have a material business relationship with the SACCO other than membership;

(c) does not hold credit facilities from the SACCO on terms more favourable than those available to other members; and

(d) is capable of exercising objective and independent judgement.

(5) The chairperson shall be elected by the board from among its members and shall not hold any executive or management position in the SACCO.

(6) No person shall serve as a director in more than two (2) SACCOs simultaneously.

(7) A director shall hold office for a term not exceeding three years and shall be eligible for re-election for one further term.

(8) The terms of office of directors shall, so far as practicable, be staggered to ensure continuity of governance.

(9) Nothing in these Regulations shall be construed as requiring the appointment of a person who is not a member of the SACCO as an independent director.

33. Fit-and-proper Requirements

(1) A person shall not be appointed or continue to serve as a director, chief executive officer, senior officer, compliance officer, or other key functionary of a SACCO unless that person is fit and proper.

(2) For purposes of sub-regulation (1), a person shall be considered fit and proper if that person—

(a) is of good financial integrity, competence, and sound reputation;

(b) has not been convicted of an offence involving fraud, dishonesty, or financial impropriety;

(c) has the requisite academic qualifications or experience; and

(d) is not disqualified under any law from serving as a director of a cooperative society or financial institution.

(3) The SACCO shall submit to the Bank such information and supporting documentation as may be required to assess the fitness and propriety of a person referred to under sub-regulation (1).

(4) The Bank may, on reasonable grounds, object to the appointment of, or require the removal of, a person who does not satisfy the fit and proper requirements.

(5) The SACCO shall notify the Bank within fourteen (14) days of any change in its directors, chief executive officer, or other key officers.

34. Duties and Responsibilities of the Board

(1) The board shall—

(a) determine the strategic of the SACCO;

(b) approve business plans, budgets, policies, and risk management frameworks;

(c) oversee the financial condition and performance of the SACCO;

(d) appoint, supervise , and, where necessary, remove senior management;

(e) ensure compliance with the Act, and these Regulations;

(f) establish appropriate internal control and governance arrangements; and

(g) safeguard the interests of members and depositors.\

(2) The board shall meet at least once every quarter.

(3) Minutes of all board meetings shall be maintained and made available to the Bank upon request.

35. Responsibilities of Directors and Senior Officers

(1) Every director and senior officer shall—

(a) act honestly, in good faith, and in the best interests of the SACCO and its members;

(b) exercise reasonable care, diligence, and skill;

(c) avoid conflicts between personal interests and official duties;

(d) maintain confidentiality of information obtained in the course of duty; and

(e) comply with all directions and prudential requirements of the Bank.

(2) A director or senior officer who fails to comply with this regulation shall be subject to supervisory or enforcement action under the Act and these Regulations.

36. Board Committees

(1)A deposit-taking SACCO shall establish—

(a) an audit Committee;

(b) a credit Committee; and

(c) a risk and Compliance Committee.

(2) A non-deposit-taking SACCO shall establish such committees as are appropriate having regard to the size, complexity, and nature of its operations.

(3) Each committee shall operate under written terms of reference approved by the board.

(4) The committees shall report regularly to the board on the discharge of their functions.

37. Qualifications and Performance of Management

(1) The chief executive officer and other senior management officers shall possess qualifications, competence, and experience appropriate to the nature, scale, and complexity of the SACCO's operations.

(2) The board shall develop performance standards for senior management and shall conduct annual performance evaluations.

(3) The chief executive officer shall—

(a) be responsible for the day-to-day management of the affairs of the SACCO;

(b) implement the decisions and policies of the board;

(c) ensure compliance with the Act, these Regulations, and the by-laws of the SACCO; and

(d) serve as the principal link between the board and management.

38. Disclosure of Interests

(1) director, committee member, senior officer, or employee who has a direct or indirect interest in any matter being considered by the SACCO shall disclose the nature of that interest in writing.

(2) A disclosure under sub-regulation (1) shall be made—

(a) upon appointment; and

(b) immediately upon acquiring or becoming aware of the existence of the interest.

(3) A person who has disclosed an interest under this regulation shall not participate in any deliberation or decision relating to the matter in which the interest arises.

(4) Failure to disclose a conflict of interest constitutes misconduct and may attract supervisory or enforcement action under the Act and these Regulations.

39. Remuneration and Related-party Transactions

(1) A SACCO shall adopt a remuneration policy that promotes prudent management and is commensurate with the size, complexity, financial condition, and performance of the SACCO.

(2) The remuneration of directors shall be approved by the annual general meeting on the recommendation of the board.

(3) The remuneration of the chief executive officer and other senior management officers shall be determined by the board.

(4) A SACCO shall not grant a loan, guarantee, advance, or other financial accommodation to a director, officer, committee member, employee, or related party except—

(a) in the ordinary course of business;

(b) on terms and conditions no more favourable than those available to other members in similar circumstances; and

(c) in accordance with the credit and conflict-of-interest policies of the SACCO.

(5) A SACCO shall disclose related-party transactions and aggregate remuneration of directors and senior management in its annual financial statements.

40. Training and Capacity Development

(1) A SACCO shall establish and maintain a programme for the continuous training and development of directors, committee members, senior officers, and employees.

(2) The training programme may include—

(a) corporate governance;

(b) risk management;

(c) financial literacy and prudential compliance, AML/CFT Compliance; and

(d) ethics and cooperative principles.

(3) The Bank ma, either directly or in collaboration with relevant institutions, develop training standards, certification programmes, or capacity-building initiatives for SACCOs.

41. Code of Conduct and Ethics

(1) Every SACCO shall adopt and implement a written code of conduct and ethics applicable to directors, committee members, officers, and employees.

(2) The code shall include provisions on—

(a) integrity and fair dealing;

(b) confidentiality of information;

(c) avoidance and management of conflicts of interest;

(d) prevention of fraud, corruption, and abuse of office;

(e) protection of whistle-blowers; and

(f) professional conduct in dealings with members, customers, and regulators.

(3) Every director, committee member, officer, and employee shall acknowledge compliance with the code of conduct and ethics in such manner as the SACCO may determine.

42. Removal and Disqualification

(1) The Bank may, on reasonable grounds, require a SACCO to remove a director, committee member, senior officer, or other key person where that person—

(a) ceases to satisfy the fit and proper requirements under these Regulations;

(b) contravenes the Act, these Regulations, or any lawful directive issued by the Bank;

(c) engages in misconduct, fraud, dishonesty, or gross negligence;

(d) fails to discharge his or her responsibilities in a prudent and competent manner; or

(e) obstructs supervision or fails to provide information lawfully required by the Bank.

(2) Before taking action under sub-regulation (1), the Bank shall give the person concerned written notice and a reasonable opportunity to be heard.

(3) A person removed or disqualified under this Regulation may be prohibited from serving as a director, officer, committee member, or key person of a SACCO or other regulated financial institution for such period as the Bank may determine having regard to the nature and gravity of the conduct concerned.

PART V — ACCOUNTS, AUDIT, AND REPORTING

43. Maintenance of Accounts and Records

(1) Every SACCO shall maintain proper books of accounts and records that—

(a) give a true and fair view of its financial position and performance;

(b) record all income, expenditure, assets, and liabilities in a timely and accurate manner;

(c) are maintained in accordance with the International Financial Reporting Standards (IFRS)or such other accounting standards recognised by the Bank; and

(d) are accessible for inspection by the Bank.

(2) Accounting records shall be retained for a period of not less than five (5) years from the date of the last entry, or such longer period as may be required under any applicable law.

(3) A SACCO shall maintain separate ledgers for—

(a) member savings and deposits;

(b) member shares;

(c) loans and advances;

(d) income and expenditure; and

(e) asset and liabilities

44. Financial year and Financial Statements

(1) The financial year of every SACCO shall run from 1st January to 31st December, unless otherwise approved by the Bank.

(2) Every SACCO shall prepare annual financial statements comprising—

(a) a statement of financial position;

(b) an income and income and expenditure;

(c) a statement of changes in equity;

(d) a cash flow statement; and

(e) such other statements or disclosures as may be necessary to fairly present the financial position of the SACCO

(3) Annual financial statements shall be prepared within three months after the end of the financial year and submitted to the Bank and to the annual general meeting.

(4) The chairperson of the board and the chief executive officer shall certify that the financial statements fairly present the financial condition of the SACCO

45. Internal Audit and Controls

(1) A deposit-taking SACCO shall establish an internal audit function independent of management and directly accountable to the Audit Committee of the Board.

(2) A non-deposit-taking SACCO shall establish internal control and review arrangements appropriate to the nature, scale, and complexity of its operations.

(3) The internal audit function shall—

(a) assess the adequacy and effectiveness of internal controls, risk management, and governance systems;

(b) review operational, financial and compliance activities;

(c) report its findings to the board; and

(d) monitor the implementation of audit recommendations.

(3) Internal audit reports and management responses shall be kept on file for inspection by the Bank for a period of not less than five (5) years.

46. External Audit

(1) Every SACCO shall appoint an external auditor qualified under the applicable laws relating to accountancy and auditing.

(2) The external auditor shall—

(a) be independent of the SACCO and its officers;

(b) comply with International Standards on Auditing; and

(c) possess the qualifications required under applicable law.

(3) The duties of the external auditor shall include to—

(a) audit financial statements of a SACCO;

(b) assess compliance with applicable accounting and prudential requirements;

(c) report any material irregularities, fraud or non-compliance; and

(d) issue an audit opinion on the financial statements.

(4) The auditor shall be appointed annually by the general meeting.

(5) The Bank may require a SACCO to appoint a different auditor or undertake a special audit where it considers it necessary for supervisory purposes.

47. Submission of Periodic Returns

(1) A deposit-taking shall submit to the Bank—

(a) monthly prudential returns;

(b) quarterly financial and operational returns; and

(c) annual audited financial statements.

(2) A non-deposit-taking SACCO shall submit—

(a) quarterly financial and operational returns; and

(b) annual audited financial statements.

(3) Returns shall be submitted within the periods specified by the Bank.

(4) A SACCO that fails to the required period commits a contravention of these Regulations and may be subject to supervisory or enforcement action.

48. Submission and Disclosure

(1) A deposit-taking SACCO shall submit to the Bank within thirty (30) days of completion. —

(a) an abridged version of its audited financial statements;

(b) the name of its external auditor;

(c) details of its board and senior management; and

(d) a summary of key prudential ratios.

(2) A non-deposit-taking SACCO shall make its audited financial statements available to its members at the annual general meeting.

(3) The Bank may publish aggregated information concerning the SACCO sector provided that no individual SACCO or member is identified.

49. Reporting of Material events

(1) A SACCO shall notify the Bank as soon as practicable, and in any event not later than seven days after becoming aware of—

(a) fraud or suspected fraud;

(b) material changes in governance or senior management;

(c) significant litigation or claims likely to have a material financial impact;

(d) breach of any prudential ratio or liquidity threshold; or

(e) significant operational disruptions

(f) any other event likely to adversely affect the safety, soundness, or reputation of the SACCO.

(2) The Bank may require corrective action, additional reporting, or a special audit in relation to any matter reported under this regulation.

50. Preservation and access to Records

(1) Every SACCO shall maintain its records in a secure manner and at a location from which they can be readily produced to the Bank.

(2) Electronic records shall be backed up regularly and stored securely, including off-site storage where appropriate.

(3) A SACCO shall provide records requested by the Bank within the period specified in the request.

51. Accuracy and Accountability

(1) The chief executive officer and board chairperson shall be responsible for the accuracy and completeness of information submitted to the Bank.

(2) A person who knowingly submits false or misleading information to the Bank commits a contravention of these Regulations and may be subject to supervisory, administrative, or enforcement action under the Act and these Regulations.

PART VI — SUPERVISION AND ENFORCEMENT

52. Supervisory mandate of the Bank

(1) The Bank shall supervise licensed SACCOs in accordance with the Act and these Regulations.

(2) The Bank may exercise supervisory powers through —

(a) off-site surveillance;

(b) on-site inspections;

(c) prudential reviews; and

(d) corrective or enforcement actions.

(3) The objectives of supervision shall be to—

(a) safeguard members' funds;

(b) promote stability and soundness of SACCOs; and

(c) ensure compliance with the Act and regulations.

53. Supervisory Approach

(1) The Bank shall adopt a risk-based and proportionate approach to supervision having regard to the nature, size, complexity, and risk profile of a SACCO.

(2) In exercising its supervisory functions, the Bank shall have regard to—

the financial condition of the SACCO;

(b) governance and management arrangements;

(c) risk management and internal controls;

(d) compliance history; and

(e) the interests of members and depositors.

54. Off-site surveillance

(1) The Bank may conduct ongoing off-site surveillance based on returns, reports, financial statements, and other information submitted by a SACCO.

(2) Where the Bank identifies weaknesses, irregularities, or emerging risks, it may require additional information, explanations, or corrective measures.

55. On-site Inspection

(1) The Bank may conduct an inspection of a SACCO at any time.

(2) For the purposes of an inspection, an authorised officer of the Bank may—

(a) enter the premises of a SACCO during normal business hours;

(b) examine books, records, systems, and documents;

(c) require information from directors, officers, employees, auditors, agents, or service providers; and

(d) make copies of records relevant to the inspection.

56. Inspection Findings and Remedial Measures

(1) Following an inspection, the Bank may communicate its findings to the SACCO and require corrective action within a specified period.

(2) A SACCO shall be given a reasonable opportunity to respond to the inspection findings and to identify any errors or misinterpretations before the findings are finalised.

(3) The Bank may conduct follow-up reviews to assess implementation of corrective measures.

57. Corrective Actions

(1) Where the Bank determines that a SACCO is conducting its affairs in an unsafe, unsound, or non-compliant manner, the Bank may direct the SACCO to—

(a) submit and implement a corrective action plan;

(b) suspend or replace responsible officers;

(c) restrict specified activities;

(d) increase capital or liquidity levels; or

(e) take any other remedial measure necessary to address identified deficiencies.

(2) A SACCO shall comply with a directive issued under this regulation within the period specified by the Bank.

58. Intervention in distressed SACCOs

(1) Where the Bank determines that a SACCO is insolvent, likely to become insolvent, or unable to meet its obligations, the Bank may exercise any intervention powers available under the Act.

(2) Without limiting sub-regulation (1), the Bank may—

(a) appoint an administrator;

(b) require restructuring, or merger;

(c) restrict operations;

(d) suspend the; or

(e) recommend winding up in accordance with applicable laws.

59. Administrative Sanctions and Penalties

(1) The Bank may impose administrative sanctions for contraventions of the Act, these Regulations, or directives issued thereunder.

(2) Administrative sanctions may include—

(a) a warning or reprimand;

(b) administrative monetary penalty;

(c) restriction on activities; or

(d) suspension of officers or directors;

(e) revocation of a license.

(3) Before imposing a sanction, the Bank shall give the affected person a reasonable opportunity to be heard.

60. Appeals

(1) A person aggrieved by a decision of the Bank under these Regulations may appeal in accordance with the Act.

PART VII —COMPLIANCE AND CONSUMER PROTECTION

61. Application of AML/CFT framework

(1) Every SACCO licensed shall comply with the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2025 and all regulations, directives, guidelines, and instructions issued thereunder.

(2) Without prejudice to sub-regulation (1), a SACCO shall—

(a) establish and maintain appropriate AML/CFT policies, procedures, and controls;

(b) conduct customer due diligence in accordance with applicable law;

(c) maintain records and transaction information as required by law;

(d) monitor transactions and business relationships for suspicious activity; and

(e) comply with all reporting obligations applicable to reporting entities.

(3) The Bank may, in consultation with the Financial Reporting Centre, issue guidance to facilitate compliance by SACCOs with AML/CFT obligations

62. Compliance officer

(1) Every SACCO designate a suitably qualified officer responsible for compliance with these Regulations and applicable AML/CFT requirements.

(2) The Compliance Officer shall—

(a) monitor compliance with legal and regulatory obligations;

(b) coordinate regulatory reporting;

(c) facilitate staff training and awareness programmes;

(d) act as the primary liaison with the Bank and other competent authorities on compliance matters; and

(e) perform such other functions as may be assigned by the board.

(3) The appointment or replacement of the compliance officer shall be communicated to the Bank within thirty days.

63. Consumer protection obligations

(1) A SACCO shall conduct its business honestly, fairly, and professionally and shall treat members equitably.

(2) A SACCO shall ensure that—

(a) terms and conditions of membership, savings products, and credit facilities are clear and readily accessible;

(b) all fees, charges, profit rates, and other material terms are disclosed before a transaction is concluded;

(c) members receive periodic account information and transaction records;

(d) marketing and promotional materials are accurate and not misleading; and

(e) member information is protected and used only for lawful purposes.

(3) A SACCO shall not engage in unfair, deceptive, coercive, or misleading practices.

64. Complaints handling and Dispute Resolution

(1) Every SACCO shall establish and maintain a complaints-handling mechanism. (a) implement a corrective action plan;

(2) The mechanism shall provide for—

(a) receipt and recording of complaints;

(b) investigation and resolution of complaints within a reasonable period;

(c) communication of the outcome to the complainant; and

(d) maintenance of a complaints register.

(3) A SACCO shall submit complaint information to the Bank as part of its regulatory reporting obligations.

(4) Where a complaint remains unresolved, a member may refer the matter to the Bank or such other dispute resolution mechanism as may be available under the law.

PART VIII — MISCELLANEOUS PROVISIONS

65. Sacco deposit Protection

(1) The Bank may establish a deposit protection mechanism for licensed deposit-taking SACCOs in accordance with the Act or any other applicable law.

66. Offences

(1) A person who contravenes these Regulations commits an offence where such contravention is declared by the Act to constitute an offence and shall be liable to the penalties provided under the Act.

67. Transitional Provisions

(1) A SACCO operating immediately before the commencement of these Regulations shall apply for a licence within twelve months of commencement.

(2) The Bank may extend the period specified under sub-regulation (1) for a period not exceeding six months where it is satisfied that the SACCO has made substantial progress towards compliance.

(3) Any SACCO that fails to obtain a licence within the applicable period shall cease conducting SACCO business.

(4) All licences, approvals, or exemptions issued prior to the coming into force of these Regulations shall remain valid until their expiry or revocation by the Bank.

68. Guidelines and Directives

(1) The Bank may issue administrative guidelines, circulars, or directives for the implementation of these Regulations.

FIRST SCHEDULE

APPLICATION FOR LICENCE *(Reg. 5, 57)*

Form CBS/SACCO/LIC-1

APPLICATION FOR A LICENCE TO OPERATE A SAVINGS AND CREDIT COOPERATIVE SOCIETY (SACCO)

PART A — APPLICANT DETAILS

1. Name of SACCO: ………………..

2. Registration Number under the Cooperative Societies Law:

69. Date of Registration:

4. Registered Office Address:

5. Postal Address:

6. Telephone:

7. Email Address:

8. Website (if any):

PART B — LICENCE APPLIED FOR

9. Type of License Applied For:

☐ Deposit-Taking SACCO

☐ Non-Deposit-Taking SACCO

10. Proposed Area of Operation:

11. Number of Members:

12. Number of Branches (if any):

PART C — GOVERNANCE

13. Names of Directors

(Attach separate sheet where necessary)

Name	Position	Qualification	Experience

14. Chief Executive Officer

15. Compliance Officer

16. Internal Auditor (where applicable)

17. Fit and Proper Declarations

☐ Attached

PART D — CAPITAL AND FINANCIAL INFORMATION

18. Paid-up Share Capital (USD)

19. Members' Shares (USD)

20. Members' Savings/Deposits (USD)

21. Evidence of compliance with minimum capital requirements

☐ Attached

22. Audited Financial Statements (where applicable)

☐ Attached

PART E — BUSINESS PLAN

23. Attach a Business Plan containing—

    (a) proposed products and services;

    (b) target membership;

    (c) organisational structure;

(d) financial projections for three years;

(e) risk management framework; and

(f) information technology arrangements.

☐ Attached

PART F — OPERATIONAL READINESS

24. Principal Business Premises
25. Record-Keeping System
26. Internal Controls Framework
27. Risk Management Framework
28. Business Continuity Arrangements

☐ Attached

PART H — DECLARATION

We certify that the information provided in this application and the accompanying documents is true, complete, and accurate.

We undertake to comply with the Financial Institutions Law, 2025 and the SACCO Regulations.

Name	Position	Signature	Date

CHECKLIST OF ATTACHMENTS

☐ Certificate of Registration

☐ Constitution/By-laws

☐ Business Plan

☐ Fit and Proper Forms

☐ Capital Verification Documents

☐ Governance Structure

☐ Audited Financial Statements (if applicable)

☐ Risk Management Framework

☐ AML/CFT Policies

☐ Application Fee Receipt

SECOND SCHEDULE

FEES

(Regulation 57)

Item	**Fee (USD)**
Application for Deposit-Taking SACCO License	200
Application for Non-Deposit-Taking SACCO License	100
Grant of Deposit-Taking SACCO License	2,000
Grant of Non-Deposit-Taking SACCO License	1,000
Approval of Branch	250
Approval of Change in Control	250
Approval of Merger or Amalgamation	500
Special Inspection or Investigation	Cost Recovery Basis
Certified Copy of Licence or Approval	10

Notes

1. All fees shall be paid to the Central Bank.
2. Fees paid under these Regulations shall be non-refundable.
3. The Bank may recover the actual cost of special inspections, investigations, or expert reviews undertaken at the request of, or attributable to, a SACCO.
4. The Bank may review fees periodically and publish revised fees by notice on its website.

THIRD SCHEDULE

REGULATORY RETURNS

(Regulation 55)

TABLE A — QUARTERLY PRUDENTIAL RETURN

Item	Deposit-Taking SACCO	Non-Deposit-Taking SACCO
Total Membership		
Total Share Capital (USD)		
Reserve Fund Balance (USD)		
Total Assets (USD)		
Total Liabilities (USD)		
Members' Savings (USD)		
Members' Deposits (USD)	Applicable	N/A
Gross Loan Portfolio (USD)		
Non-Performing Loans (USD)		
Provision for Loan Losses (USD)		
Capital Adequacy Ratio (%)	Applicable	N/A
Liquidity Ratio (%)	Applicable	N/A
Cash and Bank Balances (USD)		
Investments (USD)		
Net Surplus / Deficit (USD)		

TABLE B — LOAN PORTFOLIO RETURN

Item	Amount (USD)
Number of Active Borrowers	
Total Loan Portfolio	
Performing Loans	
Loans Past Due 30–89 Days	
Loans Past Due 90–179 Days	
Loans Past Due 180–364 Days	
Loans Past Due More Than 365 Days	
Loans Restructured During Period	
Loans Written Off During Period	
Largest Single Exposure	

Item	Amount (USD)
Related Party Loans	

TABLE C — GOVERNANCE RETURN

Item	Details
Number of Directors	
Number of Independent Directors (if applicable)	
Board Meetings Held During Period	
Audit Committee Meetings	
Risk Committee Meetings	
Governance Committee Meetings	
Changes in Directors	
Changes in Senior Management	
Fit and Proper Issues Identified	
Conflicts of Interest Declared	

TABLE D — AML/CFT AND COMPLIANCE RETURN

Item	Number / Value
Suspicious Transaction Reports Filed	
High-Risk Members Identified	
Enhanced Due Diligence Cases	
Compliance Breaches Identified	
Regulatory Breaches Reported	
AML/CFT Training Sessions Conducted	
Staff Trained	

TABLE E — MEMBER COMPLAINTS RETURN

Item	Number
Complaints Received	
Complaints Resolved	
Complaints Pending	
Complaints Referred to the Bank	
Fraud Complaints	
Service Complaints	
Loan-related Complaints	

TABLE F — ANNUAL AUDITED RETURN

Every SACCO shall submit annually—

1. audited financial statements;
2. auditor's management letter;
3. board report;
4. annual general meeting resolutions;
5. updated register of directors and senior officers;
6. updated register of members;
7. strategic plan and annual budget for the following financial year; and
8. such other information as the Bank may reasonably require for supervisory purposes.

NOTES

1. Returns under this Schedule shall be submitted electronically or in such form as the Bank may specify.
2. Quarterly returns shall be submitted within thirty (30) days after the end of each quarter.
3. Annual returns shall be submitted within four (4) months after the end of the financial year.
4. Where a SACCO fails to submit a return within the prescribed period, the Bank may take supervisory or enforcement action in accordance with these Regulations.
5. The Bank may require additional information where necessary for supervisory purposes.