

BY-LAWS

KENYA HIGHLANDS SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD

**KENYA HIGHLANDS SACCO SOCIETY LTD.
P.O.BOX 2085 KERICH0**

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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 Delegates 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) “Delegates Meeting” shall be a meeting (either “annual” or “special”) for all delegates 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.
- (xxi) “Common Bond” means the basis for co-operation between members of the society.

- (xxii) “By-Laws” means the by-laws made by the society and registered under the Act and includes any registered amendments of such by-laws.
- (xxiii) “Supervisory Committee” means an oversight committee elected at a Delegates Meeting.
- (xxiv) “Member in Good standing” means a member who is current in his payment of his required contributions and has not in any way acted in a manner, which is potentially damaging to the society and has fully complied with the policies and Rules set forth by the society.
- (xxv) “Net Surplus” means the amount of income in excess of expenses of the Society. It is computed before an allocation is made for payment of members’ dividend.
- (xxvi) “Member of Immediate family” includes but is not limited to the spouse, parents and children of the member, whether or not residing in the same household. They may also include any other relative of the member or spouse of the member if the relative resides in the same household as the member.
- (xxvii) “Field committee” is a committee of members of elected from buying centers or otherwise as determined by the Board of directors from time to time.

- 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 **KENYA HIGHLANDS 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. 6336**.

3. REGISTERED OFFICE/ POSTAL ADDRESS

- 3.1 The registered office of the SACCO Society shall be at the Kapsoit Trading Centre and the postal address shall be: -P.O. Box 2085 20200 Kericho.
- 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 – POWERS, OBJECTS AND PRINCIPLES

5. POWERS OF THE SACCO SOCIETY

The Sacco Society shall have full powers

- a) To do all things necessary or expedient for the accomplishment of all objects specified in these by-laws.
- b) To borrow, raise or secure repayment of money, in pursuance of the objects of the Sacco Society as detailed in these by-laws with prior approval of the Delegates Meeting.

6. OBJECTS

6.1 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.

6.2 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.

- 6.3 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 Delegates Meeting.

7. 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.

7.1 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.

7.2 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

8. CAPITAL

The capital of the society shall consist of; -

- i. Fully paid up members' shares as per bylaw 9 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.
- v. No withdrawal shall be made from the statutory reserve fund without the consent in writing of the Commissioner resulting from operation of the Society during subsequent financial years.
- vi. The reserve fund shall be indivisible and no member shall claim a specific share of it.
- vii. The reserve fund shall be kept in a separate account to be known as reserve fund account
- viii. The society shall cause an annual audit for the reserve fund.

9. SHARES

9.1 Minimum shares to be held by members shall be fixed by the Delegates Meeting. However, no member shall hold more than one-fifth of the total shares of the SACCO Society. The nominal value of each share shall be;

- Share A Nominal value shall be Kshs. 20 of 100 i.e. Kshs.2000 (Member shares)
 - Share B Nominal value shall be Kshs. 20 of 25 – Kshs.500 (Non-tea growing member)
 - Share C Nominal value shall be Kshs. 20 of 100 – Kshs.2000 (Building shares)
- 9.2 Only tea growers shall be entitled to Share A shares.
- 9.3 Non-withdrawable deposit account shall be operated in accordance with the Sacco Society's by-laws and the amount accumulated in the account may be used as collateral against borrowing and shall be refunded only when a member withdraws from membership as may be decided by the board and provided the member has fully repaid all his debts and is free from guarantee.
- 9.4 A member may transfer his/her non-withdrawable deposits to another member and will be charged 10% of the transfer amount on immediate transactions. No fee may be charged if 60 days notice is given.
- 9.5 The Sacco shall operate a non withdrawable deposit account, and every member shall contribute on a monthly basis 5% of their proceeds (nominal value Kshs. 20 of 50) and such amount may be determined by the Sacco from time to time. The Sacco may refund the amount saved in his/her non-withdrawable deposit account within sixty days after receiving a written notification from the member. The non-withdrawable deposits shall attract interest at a rate determined by the Sacco and determined by external market forces or internal funding needs.
- 9.6 The Sacco shall establish a Saving Policy with minimum prescribed terms and conditions of opening, operating and closing accounts, interest rate calculations and payment, penalties and other charges. Withdrawable deposits shall attract interest at a rate prescribed in the terms and conditions of the deposits. Interest on withdrawable deposit shall accrue on a pro-rata basis.

10. LIMITATION ON HOLDING SHARE CAPITAL

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

11. TRANSFER OF SHARES

- 11.1 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.
- 11.2 All transfers of shares shall be registered with the SACCO Society and no transfer shall be valid unless so registered. A fee of **10% of the member's shares for the transfer of shares from one member to another** shall be payable by the transferee for each such transfer.

12. LIABILITY IN CASE OF LIQUIDATION

- 12.1 The liability to a member shall be limited to the nominal value of the shares held by him.
- 12.2 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.
- 12.3 All members shall maintain their savings account and shall get payment for all proceeds and other produce through the Sacco Society account.
- 12.4 In addition to (12.2) above members shall be compensated by the Deposit Guarantee Fund as provided in the Regulations.
- 12.5 In the event of collapse of the Sacco, members may lodge their compensation claims with the fund within ninety days from the time notice is given.
- 12.6 The fund shall settle all verified claims lodged with it within ninety a day after the date from which lodging of claims is closed. The fund shall exercise discretion in determining whether or not to admit claims lodged out of time.
- 12.7 Compensation of claimants shall be settled in the manner advised by the claimants and notification made to the last address provided by the claimant. An unclaimed compensation in the society's record shall be sent to the member's last known address.

SECTION 4 - COMMON BOND AND MEMBERSHIP

13. 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.
- (iii) People whose common bond consists of the following;
 - a) Individually, or as a member of a group or institution, regularly employed and engaged in income generating business in Kenya; and
 - b) Have the desire to engage in a regular savings program.
 - c) Is a resident within the republic of Kenya.
 - d) Is a resident or employed or volunteers within the society's area of operation.
 - e) Any employee of the Sacco Society and their family members may become a member of the Society in the manner provided for in these by-laws.
 - f) A member who ceases to qualify for membership under this section may retain their full privileges in the Sacco and as provided for in accordance with the regulations established by the Authority.

14. QUALIFICATION FOR MEMBERSHIP

14.1 A person of either gender who possesses the following qualifications shall be eligible for membership:-

- (i) Is within the field of membership as per sec 13 above.
- (ii) Has attained the age of 18 years. No one under the age of 18 can vote or hold office or borrow in the Sacco, if a natural person, and should not have been convicted of a criminal offence involving fraud or dishonesty.
- (iii) Is of good character sound mind and good standing (has not caused the Sacco a loss in the past).
- (iv) Is not directly or indirectly a money lender, cash daily collector or carrying out such activities detrimental to the objectives of the Sacco.
- (v) Pays the entrance fee and share capital as prescribed in these by-laws.
- (vi) Legally registered organizations.
- (vii) Any group, organization, association or corporation may become a member of this society as long as the majority of its members or employees are eligible for membership under these bylaws, provided that the Board of Directors or its designate has approved the application for membership.

- 14.2 Provided that no member shall belong to more than one SACCO Society serving similar purpose.

15. APPLICATION FOR MEMBERSHIP

- 15.1 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.

16. ADMISSION INTO MEMBERSHIP

- 16.1 An applicant shall be admitted to membership on application upon payment of Entrance fees and at least minimum par value of shares as shall be fixed by the Delegates Meeting from time to time. On being admitted the member shall furnish the society with two passport size photos, a Nominee form and a certified copy of the National Identity Card.
- 16.2 Upon admission the member’s name shall be entered in the membership register and a membership number issued.
- 16.3 Members shall be admitted by the board subject to Confirmation by the next Delegates Meeting.

17. REFUSAL OF ADMISSION

- 17.1 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 Delegates Meeting. Any such appeal must be supported by at least 10 members present and voting. The decision of the Delegates Meeting on the matter shall be final.

18. RIGHTS OF MEMBERS

- 18.1 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 zonal 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.

19. OBLIGATIONS OF MEMBERS

19.1 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;

20. MEMBER'S PERSONAL STATEMENT

- 20.1 Every member shall receive regular statements at least once a year, which shall contain particulars of membership, shares, deposits and loan transactions with the SACCO Society.

21. WITHDRAWAL FROM SACCO SOCIETY

- 21.1 A member may at anytime withdraw from the SACCO Society by giving at least sixty (60) days written notice to the board.
- 21.2 Partial withdrawal of non-withdrawable deposits from the SACCO Society may only be allowed under special circumstances as approved by the board of directors.

22. NOMINEE(S)

- 22.1 Every member shall nominate in writing one or more persons as nominee(s).
- 22.2 The names of such nominee(s) shall be entered in the nominee register.
- 22.3 Where more than one nominee is appointed by any member, the number of shares to be transferred to each of these nominees shall be specified at the time of the appointment. If the number of shares to be transferred is not specified, shares may be distributed equally among the nominees.
- 22.4 Every appointment of a nominee by a member shall be made in writing and signed by the member in the presence of two witnesses.
- 22.5 Provided that a member shall have the right to change his/her nominee(s) in writing.
- 22.6 Where a deceased member is in credit with the society, any nominee under this rule may be paid all dues on evidence of death being produced without awaiting lawful administration of the state.
- 22.7 Where any money is paid to a nominee who is a minor, a receipt given either by the minor or by his guardian shall be sufficient discharge to the society.
- 22.8 If for any reason on the death of a member a nominee does not exist, the society may pay any money due to the deceased member to the personal representative or organize heirs for that deceased member.
- 22.9 The particulars of the nominees shall be recorded and kept in a sealed envelope to be kept in the member's file.

23. ADMISSION OF NOMINEE

23.1 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 Delegates 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.

24. TERMINATION

24.1 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.
- (viii) Is declared bankrupt by a court of law.
- (ix) Acts contrary to the relevant provisions of the Act, rules and these by-laws as may be determined by the Board of Directors.

25. SUSPENSION AND EXPULSION

25.1 The board may suspend a member, subject to the decision of the Delegates 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 Delegates 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.
- (v) Any other reason approved by the Annual Delegates Meeting and/or as may be contained in the Society's Code of Ethics.

25.2 Provided that, no member shall remain in suspension for a period of more than 12 months.

26. PROCEDURE OF SUSPENSION AND EXPULSION

- 26.1 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.
- 26.2 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 Delegates Meeting or
 - b) Impose any other punishment as may be provided in this by-law or as may be directed by the Delegates Meeting from time to time.
- 26.3 A member who is suspended or expelled shall retain the right of appeal to the next Delegates Meeting, which may reinstate him, provided the notice and grounds for such appeal have been filed with the Honorary Secretary not less than 30 days before the meeting. 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 Delegates Meeting.

27. PAYMENT ON CESSATION OF MEMBERSHIP

- 27.1 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.

Provided deduction of any debts owed by the member to the Sacco as a borrower, endorser and guarantor shall have been deducted.

28. REJOINING THE SACCO

- a) Members who voluntarily withdraw may re-apply for admission as long as they still qualify for membership and,
- b) If admitted, he/she must pay a rejoining fee, Development fee and any other fee as may be prescribed by the Board from time to time.
- c) 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.

29. CLASSIFICATION OF MEMBERSHIP STATUS

- a) ACTIVE MEMBERSHIP – A member who is up to date with his monthly contributions.
- b) ACTIVE ACCOUNT – An account with regular transactions.
- c) DORMANT MEMBER – A member who has not contributed his monthly subscription for a period of six months.
- d) DORMANT ACCOUNT – An account which has not transacted any business for a period of six months.

To reactivate a dormant account or membership shall be at a fee prescribed by the Management and approved by the Board.

- a) Where there has been no transaction on a member's account for one year, the Board of directors shall give a 90 days' notice to the member or known interested parties at the last known address of its intention to close the account. The Sacco will maintain separate accounting records of all such accounts.
- b) Savings, deposits and other sums due to a member may be deemed abandoned unless the owner has contacted the Sacco in person or in writing within a period of five years. Or has otherwise indicated interest in the funds.

- c) The Board, with the approval of a Delegates Meeting may transfer the abandoned funds to the Public Trustee. The member or other interested parties shall be informed by way of notice of the above action taken.

30. PAYMENT TO NOMINEE

- 30.1 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, but not later than 90 days after receiving notification of death.
- 30.2 The beneficiary may also receive payments from the sinking fund, Risk management or any approved insuring scheme,
- 30.3 Refusal to admit a nominee shall be in writing and adequate reasons provided.

SECTION 6 – DELEGATES MEETINGS

31. ANNUAL AND SPECIAL DELEGATES MEETINGS

- 31.1 The supreme authority of the SACCO Society shall be vested in the Delegates Meeting of Members.
- 31.2 The Delegates Meeting will be composed of the general members of KENYA HIGHLANDS Sacco or delegates.
- 31.3 An Annual Delegates Meeting shall be convened within four months after the end of the SACCO Society's financial year.
- 31.4 A Special Delegates Meeting of the SACCO Society may be held when convened by the:-
- (i) Board.
 - (ii) Commissioner.
 - (iii) Board within 14 days of receipt of a written request by at least 2,000 of active members or such number of members as may be determined by the Board from time to time.
 - (iv) Board within 14 days of receipt of a written request by at least 65% of delegates.
- 31.5 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.

- 31.6 If the Board fails to convene a meeting within fifteen days of receiving notice under the Co-operative Societies Act, the members in 31.5(iii) or 31.5(iv) 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.
- 31.7 Any business not completed at the Annual Delegates Meeting, may be taken up at a subsequent Special Delegates Meeting of the SACCO Society.

32. NOTICE OF MEETINGS

- 32.1 The Zonal and Delegates Meeting shall be convened by giving at least 15 days written notice to the members.
- 32.2 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 Board of Directors.
- 32.3 All notices shall include a statement of the business to be dealt with.

33. QUORUM

- 33.1 Except when convened by the Commissioner, the presence of **at least 65% of the total number of delegates** shall constitute a quorum for the conduct of business at the Delegates 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.

34. DUTIES OF DELEGATES MEETINGS

- 34.1 The Delegates 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 Delegates 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 Delegates 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.

35.RECORD OF BUSINESS

- 35.1 All business discussed or decided at the Delegates 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.
- 35.2 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.

36. CHAIRMAN AT MEETINGS

36.1 The chairman or in his absence, the vice chairman shall preside at every Delegates 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.

37. ENFORCEMENT OF DECISIONS

37.1 Any decisions taken by the Delegates Meeting shall be binding on all members present, absent and objecting. However, members may exercise their rights objection and separation about decisions related to the Sacco's conversion into a different organization or a merger.

38. MINUTES

38.1 All business discussed at the Delegates 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.

38.2 At the next Delegates Meeting, the minutes shall be considered and confirmed subject to any amendments or variations approved by the members.

39. RESOLUTIONS

39.1 Every member present at the Delegates Meeting shall have only one vote on any resolution. Ordinary resolution shall be decided by simple majority vote. However, special resolution shall be passed by minimum of two thirds of the members present and voting at the Delegates Meeting.

39.2 The chairman of the Delegates Meeting shall declare whether a resolution put to vote has been carried or lost and shall cause an entry to that effect to be recorded for the society and such entry when signed by him/her shall be conclusive evidence on the resolution put to vote.

39.3 In the event of votes on any resolution being equal, it shall be deferred to the next Delegates Meeting at which it will be put to vote again to members present at such meeting.

- 39.4 The chairman in a Delegates Meeting shall not have a casting vote but shall just deliberate voting.

SECTION 7 – BOARD OF DIRECTORS AND DELEGATES

40. ELECTORAL AREAS FOR DELEGATES

Electoral areas for delegates shall be based on the following electoral zones:-

- i. Kipchimchim zone
- ii. Kakiptui Zone
- iii. Chemamul zone
- iv. Kabianga zone
- v. Kiptere zone
- vi. Kapsaos zone
- vii. Kapsuser zone
- viii. Seretut zone
- ix. Sosiot Zone

41. ELIGIBILITY FOR DELEGATESHIP

41.1 No person shall be eligible as a Delegate if he/she;-

- a) Has not been a member of the Sacco Society for at least 5 consecutive years prior to the Annual Delegates Meeting.
- b) Has been charged of any offence involving dishonesty, a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- c) Does not have a minimum share capital Class A shares of Kshs.10,000 and minimum non-withdrawable deposit of Kshs 20,000.00 by 31st December of the previous financial year.
- d) Is delinquent on loans with the SACCO for more than 60 days within 3 years prior to elections;
- e) Is adjudged bankrupt ;
- f) He/she is under the twenty three years of age
- g) Is of unsound mind;
- h) Is an official of or holds a political office at any level
- i) Has been removed from public office on disciplinary action.
- j) Has not attained KCPE level of education or equivalent.
- k) Does not have his/her proceeds processed through the SACCO for two years preceeding the election.

42. ELECTION OF DELEGATES

- 42.1 Delegates shall be elected from among members of the society once after every three years at the zonal members meetings to be held at the central areas of the electoral zones.
- 42.2 There shall be 180 elected delegates. Election of delegates shall be as per the election policy.
- 42.3 Number of delegates per electoral zone shall be reviewed by the board from time to time.
- 42.4 Upon the expiry of 3 year term of delegates a 15 days' notice shall be issued and election shall be conducted within 1 day upon expiry of the notice date.
- 42.5 In the event of delegate resignation/demise of a delegate a by election shall be held within 15 days of the notice, provided that the elections for that position are not due within 6 months.
- 42.6 If no delegate qualifies to vie for the position of a director within an electoral zone, the delegates of that electoral zone may elect one among themselves to fill the position of director. The elected director must fulfill all the requirements for directorship within one year failing which he/she will lose his/her position.

43. THE BOARD

- 43.1 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.
- 43.2 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.
- 43.3 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.
- 43.4 Where the membership of the board falls below five the board shall co-opt qualified delegates(s) into the board until the next Delegates Meeting.

44. ELIGIBILITY FOR MEMBERSHIP TO THE BOARD

- 44.1 No person shall be eligible as a member of Board if he/she;-

- a) Has not been a member of the SACCO Society **for five** years prior to the Annual Delegates Meeting.
- b) Is not a delegate of the SACCO.
- c) Has been adversely named by the Commissioner or his/her representative in an inquiry report endorsed by an Annual or Special General/Delegates 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,
- d) 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.
- e) Has been charged of any offence involving dishonesty, a crime involving fraud, perjury or breach of contract of a licensed financial institution.
- f) Is delinquent on loans with the SACCO for more than 60 days within 2 years prior to elections;
- g) Does not have at least secondary level of education or equivalent.
- h) Is un discharged bankrupt ;
- i) He/she is under twenty three 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.
- r) If he does have minimum Nominal Class A shares of Kshs.30,000/= and minimum deposits of Kshs.100,000/= as at 31st December of the previous financial year.

45. ELECTIONS OF DIRECTORS

- 45.1 The board shall notify the members of the vacancies arising in both the board and the Supervisory Committee.
- 45.2 During elections, the Returning officer shall present duly nominated candidates for the vacant positions. Each candidate must have a proposer and be seconded.
- 45.3 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.
- 45.4 No member shall be entitled to vote by proxy.
- 45.5 Irrespective of the number of shares held by him, no member shall have more than one vote.
- 45.6 Within fourteen (15) days of the elections, the Chief Executive Officer shall forward to the Commissioner and the Authority the names and addresses of all persons elected.
- 45.7 A new board or committee member elected at the Delegates 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.

46. BOARD MEETINGS

- 46.1 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.
- 46.2 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.

47. RECORD OF BUSINESS OF THE BOARD

- 47.1 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.

47.2 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.

48. DUTIES AND POWERS OF THE BOARD

48.1 The board of the SACCO Society shall subject to any directions from the Delegates 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 Delegates 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 Delegates Meeting;
- i) Lay before the Delegates Meeting audited accounts, together with proposals for the disposal of net surplus, if any;
- j) Recommend to the Delegates 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 Delegates 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 Delegates 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 Delegates 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.

49. LEGAL STANDARD OF CARE

49.1 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 Delegates Meeting.

50. DELEGATION TO EMPLOYEES

- 50.1 The board may delegate to the chief executive officer of the SACCO Society such duties as it deems fit.
- 50.2 Nothing in (47.1) above shall absolve the board from its responsibility of running the affairs of the SACCO Society in a proper and businesslike manner.

51. INDEMNITY

- 51.1 All Board Members shall each provide an indemnity of an amount approved by the Delegates 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.
- 51.2 A committee member who fails to comply with this requirement shall automatically cease to be a member of the board or supervisory committee.

52. DECLARATION OF WEALTH

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

53. SUSPENSION OF A BOARD MEMBER

- 53.1 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.
- 53.2 The majority of the Board Members may suspend a Board Member and accordingly inform the Authority subject to ratification by the Delegates Meeting for;
- (i) Failure to disclose vested interests.
 - (ii) Any other good cause.

54. REMOVAL OF A BOARD MEMBER FROM OFFICE

- 54.1 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.

55. BOARD CHAIRMAN AND VICE CHAIRMAN

55.1 The board chairman shall:

- (i) Preside at Delegates 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.

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

56. TREASURER

56.1 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

57. HONORARY SECRETARY

57.1 The duties of the Honorary Secretary are to:

- (i) Cause minutes of the Delegates 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

58. 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 delegate to the management any of their functions but shall ultimately bare responsibility

59. FINANCE AND ADMINISTRATION COMMITTEE

59.1 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 it is 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
- (xvii) Carry out market research on the most profitable and stable security in the money and financial Markets with a view of advising the Board.
- (xviii) Carry out feasibility study for the opening of new branches and recommend to the Board for as may be directed or for the approval by the Delegates Meeting.
- (xix) Prepare Minutes of its meetings indicating clearly their recommendations, resolutions or any Action taken by them for ratification by the Board.
- (xx) Make such reports to the Board as they may require and prepare a report to be incorporated in the Chairman's report for presentation to the Annual Delegates Meeting.

60. EDUCATION & MARKETING COMMITTEE

60.1 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.
- c) Plan and co-ordinate marketing activities of the society.
- d) To oversee development of products and marketing strategies.

61. AUDIT COMMITTEE

- 61.1 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.
- 61.2 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;

62. TENDER AND PROCUREMENT COMMITTEE

- 62.1 There shall be Tender & Procurement Committee. Preferred members will be;-
- i. Deputy CEO of the Sacco as the Chairman
 - ii. Officer from the Procurement/Store unit as the Secretary
 - iii. Three heads of departments
- 62.2 The Procurement and disposal Committee in a procuring entity has wide ranging functions that include;-
- i) Review, verify and ascertain that all procurement and disposal has been undertaken in accordance with the Procurement Act, Regulations and the terms set out in the tender documents;
 - ii) Approve the selection of the successful tender or proposal ; award procurement contracts in accordance with Procurement Act.
 - iii) Ensure that funds are available for the procurement under consideration; ensure that the procuring entity does not pay in excess of prevailing market prices;
 - iv) Review the selection of procurement method and where a procurement method, other

than open tender, has been proposed, to ensure that the adoption of the other procurement method is in accordance with the Procurement Act , Regulations and any guidelines thereof.

- v) Approve the list of tenderers in cases of restricted; approve the list of persons qualified to submit proposals approve the list of persons to be given requests for quotations
- vi) Approve negotiations under the Act, Regulations
- vii) Approve the amendment of contracts previously awarded by the tender committee, in accordance with the Procurement Act and Regulations;
- viii) Review the quarterly reports on quotations that have been awarded by the procurement committee.
- ix) Undertake any other functions and duties as are provided under the Act, these Regulations or as may be stipulated by the Authority.
- x) Ensuring that the selection of bidders invited to submit quotations is based on fair competition and in compliance with the legal and regulatory framework for the supply of goods, works and services.

63. CREDIT COMMITTEE

63.1 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

64. SUPERVISORY COMMITTEE

- 64.1 The SACCO Society shall have a supervisory committee consisting of three members each elected at the Delegates 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.
- 64.2 Areas of election for members of the Supervisory committee shall be as follows:
- i. Ainamoi Division – Kipchimchim zone and Kapsaos Zone
 - ii. Sigowet Division - Chemamul Zone and Kiptere zone
 - iii. Belgut Division – Kabianga zone, Sosiot Zone, Seretut Zone, Kakiptui Zone and Kapsuser zone
- 64.3 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 Delegates Meeting.
- 64.4 The supervisory committee shall hold quarterly meetings save for joint meetings between its members and those of the Board.

65. DUTIES OF THE SUPERVISORY COMMITTEE

- 65.1 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 Delegates 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

66. THE CHIEF EXECUTIVE OFFICER

- 66.1 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.
- 66.2 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;

66.3 The chief executive officer shall;

- i) Attend all Board and Delegates 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.

67. THE INTERNAL AUDITOR

67.1 The person responsible for the internal audit function shall be a fully qualified accountant under the Accountants Act.

67.2 The internal auditor shall report to the CEO/Audit committee and his main role will be but not limited to; Review the credibility and integrity of financial statements and report to the Audit committee. In performing this function, the internal auditor will need to;

- i. Ensure the financial statements of the SACCO have been prepared in accordance with the IFRS, IAS and the SACCO Societies Act. This will also ensure that all the disclosure requirements in accordance with the rules and regulations are also met.
- ii. Ensure that the loans of the SACCO are all documented and the necessary steps were followed in awarding the loans. The process of loan awarding should be and seem to be professional.
- iii. Ensure that the fixed assets of the SACCO have been safeguarded, their physical condition is proper, they exist and they are correctly valued. This includes checking the physical presence, the depreciation policies and analyzing their effectiveness and whether they are properly insured.
- iv. Analyze the investments made by the SACCO to ensure that the investment policy was

followed, the investments are safe, they don't exceed such a proportion of the prudential standards that have been set and such investments have been made for the good of the SACCO.

- v. Ensure that the information contained in the financial statements is complete and reliable for effective decision making.

68. THE FINANCE MANAGER

68.1 The Finance Manager shall report to the CEO and his/her duties will be but not limited to;

- i) Ensure that all payments and expenditure are authorized.
- ii) To cause to be done monthly, quarterly or annual financial statements or reports as demanded from time to time.
- iii) To ensure timely preparation of the budget for the ensuing financial year
- iv) To be a signatory of the cheques and all accountable documents
- v) To be generally responsible for funds of the Sacco Society Ltd.

SECTION 11 - FUNDS OF THE SACCO SOCIETY

69. FUNDS

The funds of the Society shall consist of:

69.1 Core Capital

- (i) Paid up members shares valued at Kshs.20/= each.
- (ii) Retained Earnings
- (iii) Disclosed Reserves
- (iv) Grants and Donations

69.2 Income

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

69.3 Liabilities,

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

- ii) Funds obtained from lawful miscellaneous sources.

70. CAPITAL ADEQUACY

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

71. APPLICATION OF FUNDS

71.1 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:

71.2 Investments shall not in the aggregate, exceed such proportion of total assets, core capital and deposits of the SACCO Society as prescribed in the Regulations.

72. POWER TO BORROW

72.1 Loans may be obtained from non-members subject to the maximum amount and terms approved by the Delegates Meeting provided the total external borrowing by the SACCO Society does not exceed the limit prescribed in the Regulations.

72.2 For the securing of any loans accepted by the SACCO Society, the SACCO Society may grant a charge over its assets. The authority to grant a charge shall be reserved to the Delegates Meeting.

72.3 The Sacco shall not acquire external borrowing in excess of twenty five percent of its total assets unless the limit has been waived by the Authority. As application for such a waiver shall contain a detailed explanation demonstrating the need to raise the limit above twenty five percent of its assets. The Authority may grant waiver request if the proposed borrowing limit is not likely to have adverse effect on the safety and soundness of the Society.

72.4 All loans shall be used for the purpose of investment as prescribed by the board and approved by the Delegates Meeting.

72.5 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

72.6 The rate of interest on loans shall not exceed the current market rate.

73. RECEIPTING OF MONEY

73.1 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.

74. PAYMENT AND DISBURSEMENT

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

75. EXPENDITURE

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

76. BOOKS OF ACCOUNTS AND RECORDS

76.1 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 Delegates 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.

76.2 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.

77. DISTRIBUTION OF SURPLUS FUNDS

77.1 Subject to the Act, Regulations and approval by the Delegates 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 Delegates 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 Delegates Meeting.

SECTION 12 - GENERAL PROVISIONS AND/OR MISCELLANEOUS ITEMS

78. POLICIES AND PROCEDURES

78.1. 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.

79. LOANS TO MEMBERS AND EMPLOYEES

The board of directors is responsible for approving loan policies and procedures, the types of loans made, the loan application requirements, the maximum loan amounts, any individuals or groups that restricted from accessing credit, that a borrower may pay a loan off prior to maturity, and the SACCO can assess fees on loans granted and/or delinquent loans.

- i) Any member of a Sacco society may apply to the Sacco society for a loan or credit facility in writing.
- ii) A person who applies for a loan or credit facility under (I) above shall provide evidence of his or her ability to repay the loan or credit facility.
- iii) Where security is required with respect to a loan, the Sacco society may accept as security against any loan, an endorsement by a guarantor or co-guarantor, assignment of an interest in real or personal property, deposits or wages of the borrower or any collateral as may be prescribed by the Authority.
- iv) The Sacco society may not grant a loan or credit facility to a person who is not a member of that society.
- v) The Sacco society shall not grant a loan or credit facility to a member or permit to be outstanding any loan such that aggregate amount in respect of that member at any time exceeds ten per cent of the Sacco Society's core capital
- vi) The Sacco society shall not grant a loan or credit facility against the security of the "core capital" (members' shares) of this society, as provided by the Act.
- vii) All loans to directors and employees shall be approved or ratified by the board of directors and where the applicants attend board meetings, they shall not be present in the meeting considering their loan application.
- viii) The Sacco society may make loans to its employees and members of its board of directors, the terms and conditions for the granting of a loan or credit facility to an

employee or board member shall not more favorable than those extended to other members or business associates.

- ix) The person that has applied for a loan or credit facility to the SACCO shall not be present nor participate in the consideration of the loan application.
- x) The Sacco shall notify the Authority of every approval given pursuant to (vii) above within fourteen days of such approval.
- xi) An officer of a Sacco Society shall not use that position to further his/her personal interest.
- xii) No director, officer, employee or a member of the board of the Sacco society shall act as a guarantor of any person with respect to a loan advanced or credit facility granted to a person by the society.
- xiii) The Sacco society may lend to its staff and officials an amount in the aggregate not exceeding such proportion of its total assets as prescribed by the Regulatory Authority.
- xiv) The SACCO society shall provide information in such manner and to such extent as the Commissioner may exchange such information on non-performing loans to other SACCO societies, credit bureau as may be specified by the Regulatory Authority.

80. CODE OF CONDUCT

- 80.1 The officers of the SACCO Society shall comply with governance rules as prescribed by the ethics commission for cooperatives.
- 80.2 The SACCO Society shall formulate a code of conduct in accordance with third schedule of the regulations which shall be approved by the Authority.

81. COMMON SEAL

- 81.1 The SACCO Society shall adopt and use a common seal. The seal shall have an imprint bearing the words “Seal of **KENYA HIGHLANDS 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.

82. FINANCIAL YEAR

82.1 The financial year of the SACCO Society shall be from 1st January to 31st December.

83. FINES

83.1 For any breach of these by-laws or lawful instructions issued by the Board and Delegates Meeting, or failure to honor his obligations on time, the member may be fined an amount not less than Kshs.1,000 and not exceeding **Kshs.20,000**.

84. DISPUTES

84.1 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

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

85. INSPECTION OF DOCUMENTS

85.1 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.

85.2 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.

85.3 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.

86. MISCELLANEOUS

- 86.1 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.
- 86.2 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.
- 86.3 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.
- 86.4 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.

87. DISSOLUTION/ AMALGAMATION

- 87.1 The SACCO Society shall be dissolved in accordance with the procedures set forth in the Co-operative Societies Act, Rules and the Regulations. The Sacco shall not amalgamate with another Sacco Society without prior written approval of the Authority. An application for approval of amalgamation shall be accompanied by the information as prescribed in the Act.

88. AMENDMENT OF BY-LAWS

- 88.1 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.

89. REGULATIONS

- 82.1 The board may make such rules not inconsistent with these bylaws as they may deem necessary for the conduct of the society's business. Any such regulations be recorded in

the minute book and shall be posted on the society's notice board, and shall come into force when and as determined by the board.

90. ACCEPTANCE

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

TITLE	NAME	ID. NO.	SIGNATURE
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