

BY-LAWS

OF



**(SHARIA'H COMPLIANT SACCO SOCIETY
LIMITED)**

1. NAME AND AREA OF OPERATION

The society shall be called.....Savings and Credit Co-operative Society Limited, herein after referred to in these by laws as “The society” and its area of operation shall be:.....

2. REGISTERED OFFICE/ POSTAL ADDRESS

The registered office of the society shall be situated in and its postal address shall be, **P.O. Box**.....

Notice of any change of postal address shall be given to the Commissioner for Co-operative Development, herein after referred to as “The Commissioner”, and to all members of the society through their last known address as per records held at the society within 30 days of such changes.

3. DEFINITIONS/INTERPRETATIONS

3.1 In these By-Laws, unless the context otherwise suggests words or phrases shall be defined/interpreted in accordance with the Co-operative Societies Act, Cap 490 Laws of Kenya and the Rules made there under herein after referred to as the “Act” and “Rules” respectively.

In these By-Laws save as otherwise expressly stated:

- (i) “General Meeting” shall be a meeting (either “annual” or “special”) for all members duly convened by the society to conduct its business.
- (ii) “Management Committee” shall mean the members elected in a duly convened General Meeting to govern the Business of the society as per these by-laws.
- (iii) “Commissioner” shall mean “the Commissioner for Co-operative Development as provided for in the Act.”
- (iv) “Tribunal” shall mean the Co-operative Tribunal established under the Act to hear and determine disputes.
- (v) “SACCO” shall mean Savings and Credit Co-operative Society registered under the Cooperative Societies Act.

- (vi) "Shares" shall mean the amount represented by a member's portion in the equity of the society as a co – owner.
- (vii) "Applicable Law" shall mean the Co-operative Societies Act, Rules, these by-laws and Islamic Financial Laws.
- (viii) "Co-operative Society" shall mean a cooperative society registered under the Act.
- (ix) "Profit share" shall mean members share of the surplus of the society which is divided amongst its members.
- (x) "Returning officer" is a person appointed to oversee or conduct the elections of a co-operative society at a general meeting.
- (xi) "Member" includes a person joining in the application for the registration of a society, and a person admitted to membership after registration in accordance with the by-laws.
- (xii) "Deposits" shall mean a sum of money 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 society to receive it at the risk of the society receiving it.
- (xiii) "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.
- (xiv) The term 'credit' or 'financing' shall be used in place of the word "loan" and shall have the same meaning as is understood in the ordinary financial terms.
- (xv) A minute book shall mean the hard cover minute book, files and/or soft copies of recordings of the society minutes.
- (xvi) "AAOIFI"- refers to the Accounting and Auditing Organization of Islamic Financial Institutions that prepares accounting, auditing, governance, ethics and Shari'a standards for Islamic financial institutions and the industry.
- (xvii) "Common Bond" is the common factor that brings members together
- (xviii) "Ushirika" or "Musharaka" is an equity partnership in a common joint-venture

by various groups.

- (xix) 'Users' are persons with no contractual capacity such as minors. They shall use the services of the society through guardianship or custodial arrangements of sponsoring institutions such as Schools and Madrassas. They shall neither vote nor participate in the management of the society.
- (xx) "Sharia'h Advisory Committee refers to the independent oversight committee constituted under the Sharia'h Laws to ensure compliance of Sharia'h financial laws.

3.2 Any questions concerning interpretation of these By-Laws or any matters not provided for therein, errors and omissions shall be referred to the Commissioner.

4. OBJECTS

4.1. The objects for which the society is established are to organize and promote the welfare and economic benefits of its members.

In particular, the society shall undertake:

- a) To promote thrift among its members by affording them an opportunity for accumulating their savings and deposits and create thereby a source of funds from which credit can be made to them exclusively for provident and productive purposes, at fair and reasonable costs; thereby enabling them to use and control their money for their mutual benefit.
- b) To ensure personal growth through the introduction of new products and services that will promote the economic base of the members.
- c) To ensure progress of members and society through continuous education programs on proper use of credit, reduction of poverty, human dignity and co-operation.
- d) 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 shall affiliate to the relevant National Co-operative Union and the Apex Union
- e) To mobilize financial resources through ethical savings, financing and investments.

- f) Provide a vehicle for members who seek Sharia'h-Compliant savings, financing and investments.
- g) To deepen and enhance completion of the country's financial infrastructure.
- h) To bring into the co-operative movement communities currently not served by the conventional co-operative systems.

4.2 For the attainment of the above objects the society may do acts and things that are permissible under the Act, Rules and these By-Laws including but not limited to acquire property and chattels and doing all such other things as are incidental or consequential to the economic enhancement of its members interests provided such act is approved by the members in a general meeting.

5. CO-OPERATIVE PRINCIPLES AND VALUES

In order to achieve its objects the society shall act in accordance with the following Co-operative Principles and Values.

5.1. Co-operative Principles

(a) Voluntary and open membership

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

(b) 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.

(c) Economic participation by member

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

(d) Autonomy and independence

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

(e) Education, training and information

The society shall foster reciprocal, on-going education programs 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.

(f) 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 cooperatives locally, nationally and internationally.

(g) Concern for community in General

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

5.2 Co-operative Values

The values of this society shall be; self-help, mutual responsibility, equality and equity. It shall practice honesty, openness and social responsibility in all its activities.

5.3. Ethical & Sharia'h Principles and Values

The society will operate as a Sharia'h Compliant society that will uphold Sharia'h tenets expected of an Islamic Financial Institution (IFI) and ethical/takaful values of solidarity, mutuality, co-operation, equity, justice, transparency, accountability, integrity, morality, fairness, impartiality, sincerity, good corporate ethics, clarity, and responsibility.

6. MEMBERSHIP

6.1 The society membership shall be drawn from;

- i) Individual Members who will join the society over time to access savings, investments and credit facilities.
- ii) Employees of the society
- iii) Limited and associated entities through an appropriate collective entity.

6.2. Membership shall consist of:

- (a) Original members who signed the application for registration.
- (b) New members subsequently admitted in accordance with these By-Laws.

7. QUALIFICATION FOR MEMBERSHIP

A person who possesses the following qualification shall be eligible for membership

- 1) Is within the field of membership consisting of the following common bond;-
(e.g. employees of....., Members of....., Farmers.....)
- 2) Subscribes to Ethical Values in investments, financing and saving programmes.
- 3) Subscribes to Sharia'h Laws as defined by AOOIFI standards
- 4) Is of good character and
- 5) Is of sound mind
- 6) Pays the entrance fee and share capital as prescribed in these by-laws.
- 7) Is regularly employed, and/or engaged in income generating business.
- 8) Have the desire to engage in a regular savings, financing or investment program in an ethical and/or Sharia'h Compliant manner.
- 9) Is a resident or is employed or volunteering within the society's area of operation.
- 10) Has contractual capacity i.e. have attained the age of 18 years.

10) Accepts the objectives of the society, the obligations of members and other conditions as stated in these By-Laws.

11) Provided that no member shall belong to more than one Sacco society having similar objects

8. APPLICATION FOR MEMBERSHIP

8.1 Every applicant for membership shall complete an “application for membership” form and furnish all required documents. This form shall be drawn to show all the information required for the purposes of registration of a member.

9. ADMISSION INTO MEMBERSHIP

9.1. An applicant shall be admitted to membership on application and upon payment of an entrance fee and such other minimum shares as shall be fixed by the General meeting from time to time.

9.2 Upon admission the member’s name shall be entered in the membership register and a membership number issued.

9.3 The member shall sign or make a thumb mark in the register of members in the presence of an official or member of the society to indicate his/her acceptance of the By-Laws of the society.

9.4 Members shall be admitted by the Management Committee subject to confirmation by the next general meeting.

9.5 The member shall pay for a copy of the society’s By-Laws at its actual cost to the society.

10. REFUSAL OF ADMISSION

The Management Committee may refuse admission to a person upon giving reasons for their decision. Such a person, if otherwise eligible for membership, shall have the right to appeal to the next General Meeting.

11. SHARES

- a) Every member shall hold at least Share(s) of Kshs.....each or as shall be fixed by the General Meeting. However, no member shall hold more than one-fifth of the total share of the society.
- b) Shares are transferable but not refundable

12. TRANSFER OF SHARES

- a) With the approval of the Management Committee, 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.
- b) All transfers of shares shall be registered with the society and no transfer shall be valid unless so registered. A fee shall be payable by the transferee for each such transfer. The transfer fee shall be determined by the General Meeting from time-to-time.

13. RIGHTS OF MEMBERS

13.1. General Rights and Privileges

A member of the society shall have the right to;

- a) Enjoy the use of all the facilities and services of the society subject to these By-Laws;
- b) All legitimate information relating to the society including internal regulations, registers, minutes of General Meetings, Supervisory Committee reports, annual accounts, inventories and investigation reports which are maintained at the society's registered office.

13.2. Voting and Elections Rights and Privileges

- a) All members will have a right to elect or be elected to society's organs.
- b) Attend and participate in decision-making of the society subject to the provisions of these By-Laws.

13.3. Rights to Fees and Profits (Distribution Mechanism)

In line with Equity ('Musharaka') Partnership Principles, the Profit/Loss distribution will be shared according to the actual investment ratios.

14. OBLIGATIONS OF MEMBERS

A member of the society shall have the obligation to:

- a) Observe and comply with all the society's By-Laws and decisions taken by the relevant organs of the society;
- b) Buy and pay up for shares or make any other regular payments as provided for in these By-Laws;
- c) Meet the debts of the society in case of insolvency in accordance with the provisions of the Act and these By-Laws.

15. MEMBER'S PERSONAL STATEMENT

Every member shall receive regular statements at least once every year, which shall contain particulars of membership, shares, deposits, investments and credit transactions with the society.

16. CESSATION OF MEMBERSHIP

Membership in the society shall cease with effect from the date of:

- a) Death
- b) Withdrawal
- c) Expulsion
- d) Being certified insane.
- e) Transferring shares to another member.
- f) Failure to remit share contributions and or credit repayments for a continuous period of six months without valid reasons or leave of the society.
- g) Ceasing to hold qualification for membership as specified in these By-Laws provided that members who have lost the common bond may retain their membership.

17. SUSPENSION

The Management Committee may suspend a member subject to the decision of the general meeting to expel or reinstate a member who:-

- a) Fails to fulfill his/her obligations to the society whether stated in these By-Laws, general internal regulations, a resolution of the general meeting or in contravention of any other legal document; provided such a member has been called upon to do so but has failed,
- b) Is a member of another society having similar objects or
- c) Acts in any manner prejudicial to the interests of the society; provided that, no member shall remain in suspension for a period **of more than** 12 months.

18. PROCEDURE OF SUSPENSION

18.1 a) Upon formal and written proof that a member has committed a violation punishable by expulsion, the Management Committee shall serve thirty (30) days written notice to the member stating the reason(s) for the proposed expulsion and requiring him/her to file a defense.

b) Upon the expiry of the 30 days and taking into consideration the member's defense if any, the Management Committee shall initiate an administrative inquiry and make a decision on its finding within fifteen (15) days.

18.2 Any member suspended by the Committee shall appeal to the next general meeting, which shall have power to either lift the suspension or appeal to the tribunal.

18.3 A member who is expelled from the society shall have the right to appeal to the tribunal.

19. WITHDRAWAL FROM SOCIETY

A member may at any time withdraw from the society by giving at least sixty (60) days written notice to the Management Committee.

20. PAYMENT ON CESSATION OF MEMBERSHIP

20.1 On cessation of membership, a person shall be refunded the following amounts:

- a) Any Profit Shares or benefits due prior to the cessation date.
- b) Any deposits or any other funds held by the society on his/her behalf.

20.2. Partial withdrawal of non-withdrawable deposits from the society shall not be allowed under any circumstance.

21. NOMINEE

Every member shall nominate in writing one or more persons as nominee(s) in accordance with the Sharia'h law under the Jurisdiction of the Kadhi's Court. The nomination shall be attested to by two witnesses who are members of the society. The names of such nominee(s) shall be entered in the nominee register; provided that a member shall have the right to change his/her nominee(s) in writing in the presence of two attesting witnesses who are members of the society.

22. PAYMENT TO NOMINEE

The 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, Profit Shares and other benefits after deducting monies owed to the society, if any.

23. ADMISSION OF NOMINEE

A nominee(s) may be admitted to membership of the society if qualified. The deposits, Profit Shares and other benefits due to the deceased member shall be transferred to the account of that nominee.

24. FUNDS OF THE SOCIETY

24.1 The funds of the society shall consist of:

- a) Entrance fee.
- b) An unlimited number of shares;

- c) Deposits from members;
- d) Sharia'h compliant financing (loans);
- e) Administration fees; **(N/B)** Penalties are not to be recognized as income for the society.
- f) Statutory Reserve Fund and any other reserves as may be kept by the society;
- g) Any surplus resulting from operations of the society;
- h) Any donations, gifts from other bodies, organizations and individuals that conform to Islamic financial laws;
- i) Funds obtained from lawful miscellaneous sources that are Sharia'h compliant;

24.2 The funds of the society shall only be applied to the promotion of the stated objects of the society as set forth in these By-Laws (subject to adherence to principles of Islamic finance), and shall be invested in such investments and securities as are authorized for the investment of trust funds, provided that the funds are to be used in Sharia'h Compliant investment avenues.

These include;

- a) Shares of any other Sharia'h compliant co-operative society,
- b) Any bank licensed under the Banking Act and conforming with Islamic Financial laws;
- c) Financing to members;
- d) Sharia'h-screened and approved listed equities on the Nairobi Stock Exchange or any other local exchange
- e) Asset-backed securities such as Real Estate Investments Trusts
- f) Non-Listed equities of Sharia'h-Compliant associate companies, subsidiaries, corporations or co-operatives with strategic importance to the society
- g) Government securities (Treasury Bonds and Treasury Bills) provided they are Sharia'h Compliant.
- h) Collective Investments Schemes under the Capital Markets Authority
- i) Pension Schemes under the Retirement Benefits Authority
- j) Sharia'h compliant financial products of Licensed Financial Institutions regulated by a National Regulatory Authority.

K).the society is not allowed to invest in non-halal activities investment policy should be approved by Sharia'h board of the society.

25. SHARES

Every member shall hold at least shares of Kshs..... each as shall be fixed by the General Meeting. However, no member shall hold more than one-fifth of the total shares of the society.

26. LIABILITY

- a) The liability of a member shall be limited to the nominal value of the shares held by him/her.
- b) 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.

27. POWER TO BORROW

- a) Credits may be obtained from non-members subject to the maximum amount and terms approved by the General meeting.
- b) For the securing of any credits accepted by the society under paragraph (a) above, the society may grant a charge over its assets.
- c) The authority to grant a charge shall be reserved to the General Meeting subject to approval by the Commissioner.

28.1 RECEIPTING OF MONEY

- a) Money received on account of shares, deposits, credits, fees or fines shall be evidenced by a printed receipt in a form to be approved by the Management Committee. Every member paying any money to the society shall be identified on the receipt.
- b) Should the receipt issued by the society be lost or destroyed, immediate notice of such fact shall be given to the Treasurer who may be authorized by the Management Committee to issue a duplicate receipt at a reasonable fee.

- c) The Management Committee may require the member to sign an indemnity to protect the society against any loss due to the issuance of such duplicate.

28.2 PAYMENT/DISBURSEMENT

Payments made by the society shall be evidenced in writing in a form approved by the Management Committee.

29. STATUTORY RESERVE FUND

- a) The society shall pay into the Reserve Fund maintained in pursuance of the provisions of Section 47 of the Act and the Rules, one fifth (1/5) of any net surplus resulting from the operations of the society during a financial year.
- b) The Reserve Fund of the society shall be invested in the manner provided for in these By-Laws.
- c) The Reserve Fund shall be indivisible and no member shall be entitled to claim a specific share of it.
- d) No withdrawal shall be made from the reserve fund of the society without a resolution from the General meeting and a written approval from the Commissioner.

30. GENERAL MEETING

30.1. The Supreme Authority of the society shall be vested in the General Meeting of members and shall be held as follows;

- a) An Annual General Meeting shall be convened within four months after the end of the society's financial year.
- b) A Special General Meeting of the society may be held when convened by;
 - (i) The Management Committee,
 - (ii) The Commissioner.
 - (iii) The Management Committee within 15 days of receipt of a written request by at least members or one fourth of the members whichever is less; provided that when the General Meeting is convened at the request of the delegates, the request

must be deposited by registered mail at the society's address or delivered to the Manager at the society offices within normal working hours.

- (iv) The requisitioning members in (b) (iii) above, if the Committee fails to convene a meeting within fifteen days of receiving a notice under the Act.

The members shall give notice to the other members of the society stating the objects and reasons for the meeting and the fact that the Committee has failed to convene the meeting.

- 30.2.** Any business not completed at the Annual General Meeting, may be taken up at a subsequent Special General Meeting of the society

31. DUTIES OF GENERAL MEETINGS

- 31.1** The General Meeting shall have the powers and duties prescribed in the Act, Rules and these By-Laws. It shall:

- a) Consider and confirm the minutes of the previous General Meeting.
- b) Consider reports of committee, the Commissioner and the audited accounts on the 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 and rules.
- d) Elect or remove members of the management committee and the Supervisory committee subject to the Act, Rules and these By-Laws.
- e) Fix the indemnity for the committee members and management staff.
- f) Consider recommendations from the management committee, appeal against suspension of members and refusal of membership by the management committee.
- g) Fix the maximum liability which the society may incur in credits and deposits from both members and non-members.
- h) Approve the estimates of income and expenditure for the financial year following the General Meeting.
- i) Fix the honoraria, if any, for the Management Committee, Supervisory Committee or employees of the society.

- j) Approve the management structure, including the establishment of branches to facilitate efficient and cost effective delivery of services to members as recommended by the board.
- k) Appoint auditors of the society for the ensuing year.
- l) Affiliate the society to a National Co-operative Organization for Sacco societies and the Apex society, subject to approval of the General meeting;
- m) Transact any other business of the society for which notice has been given to delegates in the manner prescribed in these By-Laws.

32. NOTICE OF MEETINGS

- (a) The general meeting shall be convened by giving at least 15 days written notice to the delegates
- (b) The Honorary Secretary shall take all usual steps to publish the notice of the meeting in public places, on the society's notice board(s), in local newspapers or news-sheets, including the media or any other mode decided by the general meeting.
- (c) All notices shall include a statement (agenda) of the business to be dealt with.

33. QUORUM

Except when convened by the Commissioner, the presence of at least fifty (50) members or 25% of the total members whichever is less, shall constitute a quorum for the conduct of business at the General Meeting. When a quorum is not attained the Chairman shall adjourn the meeting and fix a date for another meeting within one month, which shall be advertised as prescribed in these By-Laws. If a quorum is again not attained, the Chairman shall declare the meeting open with those present one hour after the advertised time of the meeting.

34. ELECTION

- a) With every notice of the General Meeting convened in accordance with these By-Laws, where elections will be held, the Management Committee shall notify the delegates of

the vacancies arising in both the management committee and the Supervisory Committee.

During elections, the Returning officer shall call for nominations from the floor. Each candidate must be proposed and seconded.

- b) 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.
- c) No member shall be entitled to vote by proxy.
- d) Irrespective of the number of shares held by him/her, no delegate shall have more than one vote

34.1 Within fourteen (14) days of the elections, the Honorary Secretary shall forward to the Commissioner the names and addresses of all persons elected.

34.2 A new Committee elected at the General Meeting shall not assume office unless they have satisfied the requirements of the Act, Rules and these By-Laws as to the indemnity and ethics.

35. MANAGEMENT COMMITTEE

- a) The Management Committee shall be the governing body of the society elected from the general membership and shall consist of Nine (9) members and shall include the Chairman, Vice chairman and Secretary all of whom shall be elected by the Management Committee from amongst the members of the Committee.
- b) Members of the Committee shall hold office for a period of three years provided that one-third of the Committee members shall retire every year but will be eligible for re-election.
- c) To determine the retirement cycle, the Committee members will cast lots.
- d) Where the membership of the Committee falls below five, the Committee shall co-opt qualified member(s) into the Committee until the next General Meeting.

36. ELIGIBILITY FOR MEMBERSHIP TO THE MANAGEMENT COMMITTEE

No person shall be eligible for membership in the Management Committee of the society if he/she:

- a) Is not a member of the society;
- b) Is under eighteen years of age;
- c) Receives any remuneration, salary or other payments from the society save as in accordance with this Act;
- d) Is a Committee Member in two other societies;
- e) Lends money on his own account;
- f) Is of unsound mind;
- g) Has been convicted of any offence involving dishonesty or is sentenced to imprisonment for a term exceeding three months;
- h) Has been convicted of any offence under this Act or rules;
- i) Has any un-cleared debt owing to the society at the end of its financial year other than in respect of a credit granted under the provision of any regulations made under this Act.

37. MANAGEMENT COMMITTEE MEETINGS

- (a) Meetings of the Management Committee shall be held at least once a month subject to a maximum of 15 meetings in a year. At least five (5) members shall form a quorum for the disposal of business.
- (b) If a member of the Committee fails to attend three consecutive meetings without being excused thereon, or otherwise fails to perform his/her duties, the position may be declared vacant and filled as provided for in these By-Laws.

38. RECORD OF BUSINESS OF THE MANAGEMENT COMMITTEE

All business discussed or decided at the Committee 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 Committee 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.

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

39. DUTIES AND POWERS OF THE MANAGEMENT COMMITTEE

The Committee of the society shall; subject to any directions from the General Meeting generally direct the affairs of the society. Its procedures, powers and duties shall be as prescribed by the Act, Rules and these By-Laws. In particular, it shall:

- a) Observe in all its transactions, the Act, the Rules, these By-Laws and prudent business practices.
- b) Act upon all applications for membership
- c) Make provision for sufficient funds for credits to members.
- d) Ensure that true and accurate records and accounts of the society's money, properties, capital reserves, liabilities, income and expenditure are kept and maintained;
- e) Prepare and develop long term management plans and budgets for presentation at the General Meeting;
- f) Propose to the General Meeting the amount and kind of surety bond, or other security, which shall be given by the member of the committee or employee having custody of or handling funds or property of the society;
- g) Determine and recommend to the General Meeting the rate on the maximum maturities and terms of payment or amortization of financing from time to time and the maximum amounts that may be credited with or without security to any member;
- 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 delegates at the general meeting;
- i) Lay before the General Meeting audited accounts, together with proposals for the disposal of net surplus, if any;

- j) Recommend to the General Meeting the rate of return on shares and deposits;
- k) Fill through co-option, vacancies occurring in the management committee between General Meetings;
- l) Approve investments of the society;
- m) Authorize the conveyance of properties;
- n) Authorize borrowing and lending operations of the society in accordance to the Act, Rules and Islamic financial principles;
- o) Designate a depository or depositories for the funds of the society;
- p) Employ and fix the remuneration of the employees in accordance with the terms and condition of service as approved by the Commissioner;
- q) Impose fines as provided for under these By-Laws;
- r) Approve transfer of shares;
- s) Supervise the recovery and collection of credits from members and recommend to the General Meeting the write off of bad debts.
- t) Perform or authorize any actions consistent with the Act, the Rules and these By-Laws, unless specifically reserved for the General Meeting;
- u) To provide adequate budget for education and training of members, the committee and staff; and
- v) Perform such other duties as the General meeting may from time to time direct.

40. SUSPENSION FROM THE MANAGEMENT COMMITTEE

- a) The Commissioner may suspend from duty any Committee Member charged in a court of law with an offence involving fraud or dishonesty pending the determination of the matter.
- b) The majority of the Committee Members may for a good cause suspend a Committee member subject to ratification by the General Meeting.

41. REMOVAL FROM THE MANAGEMENT COMMITTEE

A Member of the Committee shall cease to hold office if:

- a) He/she ceases to hold qualifications of a Management Committee Member as specified in the Act, Rules and these By—laws;
- b) He/she is removed by the Commissioner under the provisions of the Act;
- c) He/she is voted out by two-thirds majority of the society members present and voting at the General Meeting.

42. LEGAL STANDARD OF CARE

In the conduct of the affairs of the society the members of committee 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 society or failure to act, which are contrary to the Act, the Rules, the By-laws or the directions of the General Meeting.

43. EXPENDITURE

No expenditure shall be authorized by the Committee unless it is provided for in the estimates formally approved by the General Meeting.

44. INDEMNITY

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

45. DECLARATION OF WEALTH

Every Committee Member shall within 30 days of being elected; declare his/her wealth to the Commissioner in the prescribed manner.

46. EXECUTIVE OFFICERS

The Chairman, the Vice-Chairman, Treasurer and the Honorary Secretary shall be termed as the “Executive Officers” and shall be elected at a meeting of the Management Committee held within seven days after election at the General Meeting.

52. APPOINTMENT OF SUB- COMMITTEES

The Management Committee may appoint Sub- Committees as may be necessary from time to time. Such Sub- Committees shall consist of persons drawn from the Management Committee of the society.

47. DELEGATION TO SUB - COMMITTEES

- a) The Committee may delegate to the Sub-Committee some of its duties under these by-laws as it deems fit.
- b) These Sub-Committees shall convene as directed by the Committee.

48. DELEGATION TO EMPLOYEES

- a) The Management Committee may delegate to any employee of the society such duties as it deems fit.
- b) Nothing in (a) above shall absolve the Committee from its responsibility of running the affairs of the society in a proper and businesslike manner.

49. THE CHAIRMAN

- a) The Chairman shall preside at general meetings, Management Committee meetings and joint meetings with
 - i) The Supervisory Committee,
 - ii) Sharia'h advisory committee,
- b) He/she shall perform such other duties as he may be directed to perform by the Management Committee, not inconsistent with provisions of the Act, the Rules and these By-Laws;

50. THE VICE CHAIRMAN

The Vice Chairman shall perform:

- (a) The duties of the Chairman during his/her absence
- (b) Perform such other duties as may be directed by the Management Committee.

51. HONORARY SECRETARY

The duties of the Honorary Secretary are:

- a) To cause minutes to be recorded of the General Meetings, Management Committee meetings and joint meetings with
 - i) The Sharia'h advisory Committee,
 - ii) The Supervisory Committee,
- b) To ensure that notices of the meetings are prepared and sent out.
- c) To ensure that the society's correspondence is promptly and correctly attended to.
- d) To perform such other duties as may be directed by the Management Committee.

56. SHARIA'H ADVISORY COMMITTEE

There shall be an independent Sharia'h Advisory Committee comprising of at least three members, who will be core-Sharia'h experts and will be appointed by the Management Committee.

- a) The Sharia'h Advisory Committee shall not perform the duties or exercise any of the powers of the Management Committee.
- b) Meetings of Sharia'h Advisory Committee shall be held quarterly save for exceptional joint meetings between its members and those of Management Committee.

57. DUTIES OF THE SHARIA'H SUPERVISORY COMMITTEE

- 1) Advise the Management Committee on Sharia'h laws and provide input on Sharia'h matters in order for the society to comply with Sharia'h Principles at all times.
- 2) Endorse Sharia'h policies and procedures prepared by the society and to ensure that the contents do not contain any elements that are not in line with Sharia'h tenets.
- 3) Endorse and validate relevant documentations to ensure that the products of the society comply with Sharia'h principles.
- 5) Approve terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

6) Assess the work carried out by Sharia'h review and Sharia'h audit experts in order to ensure compliance with Sharia'h Principles and prepare annual report.

58. THE MANAGER

The Manager shall conduct the business of the Society subject to overall control of the Management Committee. He/she shall attend all General and Committee meetings.

59. DUTIES OF THE MANAGER

The Manager shall;

- (a) Advise the Management committee in formulating, preparing and implementing long term policies and programs of the society.
- (b) Supervise the work of all staff and ensure that the business of the society is conducted in a proper manner.
- (c) Ensure that proper books of accounts, records and returns are kept and that regular financial, statistical and operational information is prepared and submitted to the Management Committee, other Committees and the Commissioner.
- (d) Be responsible for the security of the funds and assets of the society.
- (e) Ensure that all statutory deductions such as National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF), Pay As You Earn (P.A.Y.E.) etc. are correctly calculated and that all the amounts due and the necessary returns are submitted by the due date.
- (f) Ensure that rent, rates, levies and debts due from and to the Sacco are paid by the due date.
- (g) Recommend to the Management Committee the filling of any vacant position or dismissal of any staff member who is not performing his/her duties properly.
- (h) Countersign the society's' cheques, contracts and other society documents.
- (i) Perform such other duties as may be assigned to him by the Management Committee.

60. SUPERVISORY COMMITTEE

- (a) The society shall have a Supervisory Committee consisting of three members each elected at the General Meeting for a period of three years and one member of the supervisory committee shall retire annually. No person who has been in the committee within two (2) years preceding the date of the anticipated election shall be eligible for membership of the Supervisory Committee.
- (b) The Supervisory Committee shall:
 - i. Hold quarterly meetings save for joint meetings with the Management Committee.
 - ii. Have qualifications similar to those of Committee Members.
 - iii. Be required to have knowledge of accounts.
 - iv. Be removed by a resolution of the General Meeting.

61. DUTIES OF THE SUPERVISORY COMMITTEE

61.1 The duties of the Supervisory Committee shall include:

- (a) Counterchecking, the effectiveness of the society's internal control systems through:-
 - i. Carrying out investigations as may be necessary for the well being of society and members in general and verifying the accuracy of the transactions of the society.
 - ii. Checking if cash and bank accounts are reconciled in good time.
 - iii. Establishing whether the management of the society use managerial tools i.e. budgets, trial balances, economic reports, long term plans and others and thereafter making necessary recommendations to the committee.
- (b) Preparation and presentation of periodic reports to the Committee during joint meetings.
- (c) Presentation of Annual Report to the General Meeting.
- (d) Submission of its reports to the Commissioner.

61.2 The supervisory committee shall not perform the duties or exercise any of the powers of the committee.

61.3 The supervisory committee shall be held liable for any loss incurred due to their negligence in performing their duties.

62. FRONT OFFICE SAVINGS ACTIVITIES (FOSA)

If the society intends to operate a front office service, it shall after a resolution of the general meeting apply in writing to SASRA for authorization.

The society shall;

- a) Maintain a minimum liquidity at 10% of the deposits.
- b) Maintain a minimum capital adequacy and reserves at 10% of the total assets;
- c) Maintain such other prudential standards as may be directed by the Commissioner in writing from time to time;
- d) Make provisions for bad and doubtful debts before any surplus is declared;
- e) Ensure that the provision for bad and doubtful debts made under paragraph (a) above complies with such guidelines as may be prescribed by the Commissioner.

63. BOOKS AND RECORDS

The society shall keep up to date and in a proper business-like manner such accounts and books as stipulated in the Act, the Rules, and in particular, shall keep the following books of accounts:

- a) A register of members showing in respect of each member's:
 - i. Name, age, date of application for membership, address and occupation;
 - ii. Date on which he/she ceased to be a member,
 - iii. Date was admitted to membership;
 - iv. Name and particulars of his/her nominee, and
 - v. Any other information as may be required by the Sacco from time to time.
- b) Minute books giving details of proceedings of Management Committee, joint Management and Shariah Supervisory Council, management and Supervisory Committee meetings and general meetings held in accordance with these By-Laws.
- c) Minute book giving details of proceedings at the General Meetings.
- d) A cashbook showing the details of all monies received or paid out by the Sacco.
- e) A general ledger containing such accounts as is necessary to reflect the business of the Sacco.
- f) A personal ledger for each member showing his/her transactions with the Sacco.

- g) An assets (property) register.
- h) A register of credits to members showing in respect of each credit; the credit number, name of the borrower, the amount borrowed, the purpose of the credit, the due date of repayments and the date repayments were completed.
- i) Such other books and records as the Management Committee may decide or that the Commissioner may prescribe.

64. REGULATIONS

The Management Committee may make such regulations, not inconsistent with these By-Laws, as they deem necessary for the conduct of the society's business. Any such regulations shall be recorded in the minute books posted on the society's notice board and shall come into force when and as determined by the committee.

65. AUTHORIZATION TO SIGN DOCUMENTS

65.1 All documents, Contracts and cheques shall be signed on behalf of the Sacco by the following:

- a) Chairman;
- b) Vice Chairman;
- c) Secretary; and

65.2. The Manager shall countersign all the documents.

65.3. The Management Committee may authorize any other officer to sign society documents

66. FINANCIAL YEAR

The financial year of the society shall be from 1st January to 31st December.

67. DISPOSAL OF SURPLUS FUNDS

Subject to the Act, and approval by the General Meeting, the net surplus resulting from operations of the society during any financial year shall be disposed as follows:

- a) 20% shall be credited to the Statutory Reserve Fund.
- b) The balance may be disposed of as decided by the General Meeting for:
 - (i) Paying Profit Shares on member shares and non withdrawable deposits.

- (ii) Being forwarded to an education fund or any other fund or funds of the society including the appropriations.
- (iii) Paying honorarium to officials and bonuses to employees
- (iv) In any other way approved by the General Meeting.

68. CREDITS TO MEMBERS

- (a) The society shall have a credit policy approved by the General meeting.
- (b) The credit policy shall regulate credit granting procedures.

73. CREDITS AS AN ITEM OF THE AGENDA

- a) At every regular meeting of the management Committee item “credits” shall appear on the agenda.

74. CASH RESERVE

Except as otherwise authorized by the General Meeting and approved by the Commissioner, a cash reserve shall be maintained of not less than 10% of total deposits for the specific purpose of meeting requests for deposits, withdrawals and other emergency pay-outs. The cash reserve may consist of cash in hand, the balance in the current and savings accounts, and fixed deposits.

75. COMMON SEAL

- a) The society shall adopt and use a common seal. The seal shall have an imprint bearing the words “..... SOCIETY LIMITED” which shall be different from the ordinary name-stamp of the society
- b) The seal shall be kept securely under lock and key by the Executive Officers and be used only in the presence of the officers authorized to sign documents on behalf of the society.

76. FINES

For any breach of these By-Laws or lawful instructions issued by the Management Committee and General Meeting, or failure of a member to pay his/her obligations on time, the member may be fined an amount not exceeding Kshs.20,000.

77. DISPUTES

If any dispute concerning the business of the society arises:

- a) Among members, past members and persons claiming through members, past members and deceased members; or
- b) Between members, past members or deceased members, and the society, its Committee or any officer of the society or
- c) Between the society and any other co-operative society ; which cannot be determined by the Management Committee or General Meeting shall be referred to the Tribunal. Appeals by any aggrieved party shall be taken to the High Court.

78. MISCELLANEOUS

- a) No member of the Management Committee or Supervisory Committee shall receive from the society any payment apart from sitting allowance, and travelling and subsistence allowance, while working on the society's business, except an honorarium from the net surplus as allowed in these By-Laws.
- b) The Committee and employees of the society shall hold in the strictest confidence all transactions of the society with its members.
- c) When any Committee Member is disqualified or unable to perform his/her duties, the Management Committee may co-opt a member or members of the society to serve on the committee until the next general meeting.
- d) The society shall pay an audit and supervision fee of such sums as may be required by the Act and rules.
- e) No member of the Management Committee or Supervisory Committee or employee of the society shall in any manner participate in the deliberations and

determination of any question affecting his/her own financial interest. In the event of any disqualification, the remaining qualified committee members present at the meeting, if constituting a quorum may exercise with respect to the matter, all powers of the Committee.

- f) A copy of these By-Laws shall be furnished to every member who joins the society or on request upon payment of a fee not exceeding its actual cost to the society.

79. INSPECTION OF DOCUMENTS

- a) All books of accounts and other records shall at all times be available to all members of the Management Committee and Supervisory Committee of the society, and to the Commissioner. A copy of the Act, the Rules, the By-Laws and the society's Registration certificate shall be kept by the society. A list of members excluding details of nominees and shareholdings or credits shall be available for inspection by any member and any other stakeholder upon payment of the prescribed fees.

80. DISSOLUTION

The society may be dissolved in accordance with the procedures set forth in the Act and Rules made there under.

81. AMENDMENT OF BY-LAWS

These By-Laws may be amended in accordance with the Act and the Rules but no amendment shall become effective until it is approved and registered by the Commissioner

82. ACCEPTANCE

We the undersigned Executive officers ofLimited named herein do hereby accept and receive these By-Laws for and on behalf of the society.

TITLE	NAME	I.D NO	SIGNATURE
CHAIRMAN		
VICE CHAIRMAN		
TREASURER		
SECRETARY		

OFFICIAL CERTIFICATION

I CERTIFY that the foregoing By-Laws of Limited have been approved and duly registered.

Given under my hand at Nairobi this..... Day of20.....

COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT