GOVERNMENT NOTICE NO. 51

FINANCIAL SERVICES ACT, 2010

(ACT NO. 26 OF 2010)

FINANCIAL SERVICES (MINIMUM CAPITAL REQUIREMENTS FOR SAVINGS AND CREDIT COOPERATIVE SOCIETIES) DIRECTIVE, 2013

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IN EXERCISE of the powers conferred by section 34 (2) (*c*) of the Financial Services Act, 2010, I, CHARLES S. R. CHUKA, Registrar of Financial Institutions, make the following Directive—

PART I—PRELIMINARY

Citation

1. This Directive may be cited as the Financial Services (Minimum Capital Requirements for Savings and Credit Cooperative Societies) Directive, 2013.

Interpretation

2.—(1) In this Directive, unless the context otherwise requires—

"institutional capital" means the sum of—

(*a*) fully paid-up permanent and non-withdrawable member share capital;

(*b*) statutory reserves;

(*c*) retained earnings;

(*d*) current year net profits (50%) or net loss (100%); and

(*e*) capital grants and donations.

Less investments in subsidiaries.

"redeemable share capital" means member fully paid-up capital which is only redeemed upon cessation of membership;

"Registrar" means Registrar of Financial Institutions, appointed under the Act; and

"statutory reserves" means reserves that a Savings and Credit Cooperative Society (in this Directive hereinafter referred to as a "SACCO") is required to maintain under the Cooperatives Societies Act. Cap. 47:02

(2) Any term used in this Directive, and which has been defined in the Act, has the meaning ascribed to that term under the Act.

PART II—OBJECTIVE

3. The objective of this Directive is to ensure that SACCOs have an adequate cushion of capital to absorb losses, support new member services and finance non-earning assets. Ensuring adequate cushion of capital

PART III—MINIMUM CAPITAL REQUIREMENTS

4.—(1) A primary SACCO shall require each member to maintain at least five thousand Kwacha (K5,000) as permanent and non-withdrawable share capital. Share capital

(2) A SACCO shall classify all other shares as redeemable share capital.

5.—(1) A primary SACCO shall maintain institutional capital of at least two million Kwacha (K2,000,000). Institutional capital

(2) A secondary SACCO shall maintain institutional capital of at least thirty million Kwacha (K30,000,000).

6.—(1) A SACCO shall maintain a minimum institutional capital of not less than ten per cent (10%) of total assets. Minimum capital ratio

(3) The Registrar may require higher minimum capital ratios for a SACCO where the SACCO—

(*a*) has significant exposure to risk;

(*b*) has a higher or particularly severe volume of poor quality assets; or

(*c*) is growing rapidly.

PART IV—REPORTING REQUIREMENT

7. A SACCO shall prepare and submit to the Registrar a return on minimum capital requirements as prescribed under the Financial Services (Reporting Requirements for Savings and Credit Cooperative Societies) Directive, 2013. Reporting requirement G.N. No. . . . of 2013

PART V—ENFORCEMENT

Administrative penalties or directions

8. A SACCO that fails to comply with the capital requirements prescribed in this Directive shall be subjected to directions or administrative penalties as provided for under the Act, and the Financial Cooperatives Act, 2011.

PART VI—TRANSITIONAL ARRANGEMENTS

Compliance with this Directive

9. A SACCO that does not meet the minimum standards prescribed in this Directive shall comply with the Directive by 1 November 2016.

Made this 13th day of November, 2013.

C. S. R. CHUKA
Registrar of Financial Institutions