

THE SACCO SOCIETIES (AMENDMENT) BILL, 2025

A Bill for;

AN ACT of Parliament to amend the Sacco Societies Act and for connected purposes

ENACTED by the Parliament of Kenya as follows—

Short title.

1. This Act may be cited as the Sacco Societies (Amendment) Act, 2025.

Amendment of section 2 in Cap. 490B.

2. The Sacco Societies Act (hereinafter referred to as the “principal Act”) is amended in section 2 by—

(a) deleting the definition of “Deposit Guarantee Fund” and substituting therefor the following new definition—

“Deposit Guarantee Fund” means the Sacco Societies Deposit Guarantee Fund established under section 55 and administered by the Kenya Deposit Insurance Corporation;

(b) inserting the following new definitions in their proper alphabetical order—

“approved person” means a person approved by the Authority under this Act to hold a position of significant responsibility in a Sacco society, pursuant to fit-and-proper criteria and the Approved Persons Regime established under this Act;

“Central Liquidity Fund” means the liquidity fund established under section 61A of this Act for the collective use of Sacco societies;

“credit union” means a Sacco society licensed under this Act;

“fit and proper” includes the integrity, competence, financial soundness and suitability criteria required to serve as a director or officer of a Sacco society, as prescribed by this Act and regulations;

“non-withdrawable deposit-taking Sacco” means a Sacco society that mobilises funds in the form of non-withdrawable member deposits but does not accept withdrawable demand deposits, as may be specified by the Authority;

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“Stabilisation Protection Scheme” means the sector-funded stabilisation scheme established under section 61D of this Act to support distressed Sacco societies;

Amendment of
section 3 in
Cap. 490B.

3. The principal Act is amended in section 3 by inserting the following new subsections immediately after subsection (2)—

(3) Without prejudice to the generality of this section, this Act shall apply to a primary or secondary Sacco Society undertaking or seeking to undertake deposit-taking business or specified non-deposit taking business prescribed in subsection (2).

(4) For purposes of this Act—

(a) a “primary Sacco Society” means a primary Savings and Credit Cooperative Society registered under the Cooperative Societies Act; and

(b) a “secondary Sacco Society” means a secondary or a union of Savings and Credit Cooperative Society registered under the Cooperative Societies Act.

Amendment
of section 5
in Cap.
490B

4. The principal Act is amended in section 5 by inserting the following new paragraphs immediately after paragraph (a)—

(a)—
(aa) license, regulate and supervise Sacco societies in accordance with this Act on a risk-based approach, and to develop a tiered regulatory framework proportionate to the size and complexity of Sacco societies;

(ab) establish and enforce prudential standards for all Sacco societies, including those under county governments’ oversight, in collaboration with the Commissioner for Co-operative Development and county officials, with a view to harmonising regulation across the Sacco sector;

(ac) maintain public registers of licensed Sacco societies and of approved persons holding key offices in Sacco societies, and bar or remove persons not meeting suitability criteria;

(ad) promote the stability, liquidity and integrity of the Sacco sector by facilitating the implementation of a Deposit Guarantee Fund, a Central Liquidity Fund, and a Stabilisation Protection Scheme as provided under this Act;

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(ae) enforce compliance with corporate governance standards, ethical conduct requirements and other mandatory guidelines issued under this Act or the Co-operative Societies Act, for the protection of Sacco members;

New

5. The principal Act is amended by inserting the following new section immediately after section 25—

Licensing
categories and
tiered
requirements.

25A. (1) The Authority may prescribe different categories or tiers of licences or authorisations for Sacco societies based on the—

(a) criteria such as whether the Sacco society engages in deposit-taking business or non-withdrawable deposit-taking business; or

(b) scale of its assets or deposits, its geographic reach, or such risk-based factors as the Authority deems relevant.

(2) The Cabinet Secretary shall, on the recommendation of the Authority, make regulations to give effect to the tiered licensing framework, including prescribing thresholds for each tier, applicable capital and liquidity standards for each tier, and transitional provisions for Sacco societies moving from one tier to another.

(3) Within twelve months of the commencement of this Act, the Authority shall review all existing Sacco societies and classify each into the appropriate tier, and ensure that each Sacco society complies with the prudential and governance requirements of its category.

New.

6. The principal Act is amended by inserting the following new section immediately after section 34—

Dividend
Distribution
Constraints.

34A. (1) A Sacco society shall only declare and pay dividends or rebates from its net profits after making all required provisions for loan losses, and after fully meeting all capital adequacy

ratios and reserve requirements prescribed by the Authority.

(2) Sacco society shall not pay any dividend that would result in the Sacco's core capital falling below the minimum prescribed levels or infringe its liquidity thresholds.

(3) The Authority may, by notice in the gazette, prohibit a Sacco society from paying dividends if, in the Authority's opinion, such payment would be imprudent in light of the Sacco's financial condition or growth plans.

(4) A Sacco society shall not incur debt or borrow funds for the purpose of paying dividends to its members.

(5) Any officer or director who causes the Sacco society to violate this prohibition commits an offence under this Act.

(6) The Authority may issue directives requiring a Sacco society to obtain prior approval from the Authority before declaring any dividend, particularly if the Sacco society is under observation for marginal capital or profitability.

(7) If a Sacco society has paid dividends in contravention of this section from borrowed money or when undercapitalised, the Authority may direct the Sacco and its Board to take remedial action, which could include recovery of improper payouts from recipients, reduction of future dividends, or suspension of the responsible officers.

(8) For purposes of this section, "dividend" includes interest or rebate on deposits or shares paid to members as a return on their investment in the Sacco.

Amendment
of section

7. The principal Act is amended in section 35 by inserting the following new subsections immediately after subsection (5)—

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35 in Cap.
490B.

(6) A Sacco society shall not extend a loan to any of its directors or employees on terms more favourable including interest rate, tenure, collateral requirements, or grace period than those available to other members of the Sacco who have similar credit risk.

(7) The total outstanding loans to insiders of a Sacco society shall not exceed such proportion of the Sacco's total loan portfolio or assets as the Authority may prescribe.

(8) The Authority may prescribe that insider loans shall not in aggregate exceed 5% of the Sacco's total assets.

(9) No director shall be involved in the appraisal, approval or administration of his or her own loan or that of a person closely related to him or her.

(10) Each Sacco society shall put in place a policy requiring that any loan application from a director or key officer is reviewed and approved independently of that person.

(11) Any insider loan that is non-performing or in arrears beyond 90 days, shall be reported immediately to the Authority and to the Sacco's Board, and the insider borrower shall not participate in any deliberations of the Board until the loan is regularised.

(12) The Sacco shall commence recovery measures, and failure by an insider to cooperate in repaying his or her loan may be a ground for removal from office.

New.

8. The principal Act is amended by inserting the following new section immediately after section 35—

Credit information
Sharing
Obligations.

35A. (1) Every Sacco society licensed under this Act shall participate in credit information sharing as a condition of licensing.

(2) A Sacco society shall—

(a) submit accurate, complete and timely credit data to licensed credit reference bureaus;

(b) obtain and use credit information from credit reference bureaus in loan assessment; and

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Cap. 411C. (c) ensure confidentiality and compliance with the Data Protection Act.

(3) The Authority may prescribe reporting requirements and exemptions for Tier IV and Tier V societies.

(4) Non-compliance is an offence punishable by fines not exceeding Kenya shillings five million.

Integration of credit information sharing with Prudential Oversight. **35B.** (1) The Authority shall establish a Sacco Sector Credit Information Exchange

(2) The Sacco Sector Credit Information Exchange shall collate and analyse credit data for systemic risk monitoring, generate sector-wide risk reports, and provide early warning indicators to the Authority.

(3) The Sacco Sector Credit Information Exchange shall be integrated with Central Bank of Kenya, Kenya Deposit Insurance Corporation, and other regulators.

Shared Services and CIS Infrastructure. **35C.** (1) The Cabinet Secretary may designate a Shared Services Platform for Credit Information Sharing reporting and payments integration.

(2) Credit Information Sharing platform shall be regulated as critical financial market infrastructure for Sacco societies.

Amendment of section 40 in Cap. 490B. **9.** The Principal Act is amended in section 40 by inserting the phrase “or such other foreign currency as may be approved by the Authority” immediately after the words Kenya shillings appearing in subsection (3).

New **10.** The principal Act is amended by inserting the following new sections immediately after section 47—

Mandatory Governance Standards and Term Limits. **47A. (1)** Every Sacco society shall comply with a mandatory Code of

Corporate Governance as prescribed by the Authority.

(2) The Authority shall, in consultation with the Commissioner for Co-operative Development, issue regulations or guidelines constituting a Governance Code for Sacco societies, which shall include minimum competency requirements for board members, ethical conduct standards, internal controls, and requirements for board evaluations and training.

Fit-and-Proper
Criteria for
Officers and
Board Members.

47B. (1) The Authority shall operationalise an Approved Persons Regime as part of its supervisory framework.

(2) An approved Persons Regime referred to under subsection (1)—

(a) shall identify the specific positions in Sacco societies that are considered “Approved Positions” which shall at a minimum include—

- (i) Board Chairperson;
 - (ii) Board Vice-Chair;
 - (iii) Treasurer;
 - (iv) Honorary Treasurer;
 - (v) Chief Executive Officer;
 - (vi) Chief Financial Officer;
 - (vii) Head of Internal Audit;
- and

(viii) such other key positions as may be specified by the Authority from time to time;

(b) shall be maintain through a Public Register of an Approved Persons who are authorized to hold Approved Positions in Sacco societies, and make the register accessible to the public; and

(c) may impose conditions or limitations on an approval of a person.

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Amendment of section 48 in Cap. 490B.

11. The principal Act is amended in section 48 by inserting the following new subsections immediately after subsection 2—

(3) The Authority shall exercise its supervision of Sacco societies in accordance with the principle of Risk-Based Supervision, directing greater regulatory attention and resources to Sacco societies, or specific areas of a Sacco's operations, that pose greater risk to members' deposits or to the stability of the Sacco sector.

(4) Without prejudice to the generality of subsection (3), the Authority shall implement an early warning system of indicators including capital adequacy, asset quality, earnings, liquidity, and governance metrics to identify Sacco societies that show signs of financial or operational weakness.

(5) The Authority shall coordinate and collaborate with county governments and the Commissioner to extend risk-based surveillance to Sacco societies not yet licensed under this Act.

(6) The Authority may impose differentiated reporting requirements or supervisory intensity based on a Sacco society's tier or risk profile, provided that all Sacco societies above a prescribed minimal threshold shall be required to submit at least quarterly financial and prudential returns including statements of capital adequacy, liquidity, delinquency, and insider lending either to the Authority or to the relevant county Commissioner as directed.

(7) The Authority shall publish, at least annually, a report on the state of the Sacco sector, which shall include aggregate statistics and may include a list of licensed Sacco societies by tier, and any notable enforcement actions or emerging risks.

New

12. The principal Act is amended by inserting the following new section immediately after section 48—

Vetting and criteria for determining suitability.

48A. (1) The Authority shall vet and determine the suitability and propriety of every person seeking to serve as a director or other officer of a Sacco Society, and may bar or prohibit a person from serving in a Sacco Society as such a director or officer of a Sacco Society.

(2) The Authority shall in vetting and determining if a person is suitable and proper to serve as a director or officer of a Sacco Society consider the —

- (a) financial status or solvency of the person;
- (b) educational or other qualifications or experience of the person, having regard to the nature of the functions which, if the application is granted, the person shall perform;
- (c) status of any other licence or approval granted to the person by any financial sector regulator;
- (d) ability of the person to carry on the regulated activity competently, honestly and fairly; and
- (e) reputation, character, financial integrity and reliability; and any other material information.

(3) Without prejudice to the generality of subsection (2), the Authority may, in vetting and considering whether a person is fit and proper—

- (a) take into account whether the person –
 - (i) has contravened the provision of any law, in Kenya or elsewhere, designed for the protection of members of the public against financial loss due to dishonesty, incompetence, or malpractice by persons engaged in transacting with marketable securities;
 - (ii) has been convicted or is under investigation in respect of an offence involving financial impropriety or fraud of public funds, or of an offence of corruption, money laundering, terrorism financing, proliferation financing and economic crimes;
 - (iii) has been mentioned adversely in any report by the Authority, the Commissioner for Cooperatives, law enforcement agency, tax regulatory agency or any other public body with regard to financial impropriety or fraud of public funds, or allegations of corruption,

money laundering, terrorism financing, proliferation financing and economic crimes;

(iv) was a director or officer of a Sacco Society which was liquidated or is under liquidation or has been placed under statutory management;

(v) has taken part in any business practice which, in the opinion of the Authority, was fraudulent prejudicial to the Sacco industry or public interest, or was otherwise improper, which would otherwise discredit the person's methods of conducting Sacco business; or

(vi) has taken part or has been associated with any business practice which casts doubt on the competence or soundness of judgment of that person; or

(vii) has acted in such a manner as to cast doubt on the person's competence and soundness of judgment;

(b) take into account any information in the possession of the Authority, whether provided by the applicant or other available sources.

(4) The Authority shall, before determining that a person is not fit or proper to serve as a Director or officer of a Sacco Society for purposes of this Act, give such a person an opportunity to be heard.

(5) The Authority may prescribe mandatory continuous or minimum professional development courses, trainings and certification which every director or officer of a Sacco Society must undertake or attain before serving or seeking to serve as an officer of a Sacco Society.

Amendment of
section 50 in
Cap. 490B.

13. The principal Act is amended in section 50 by inserting the following new sub paragraphs immediately after sub paragraph (1)(b)(iv)—

- (v) require the Sacco society to commission an independent audit or forensic investigation at the Sacco's expense, by an auditor or other expert approved by the Authority, if the Authority has reason to believe the Sacco's affairs are being mismanaged, or its financial statements may not accurately reflect its condition;
- (vi) issue written guidelines or directives to be adhered to by the Sacco's board or management in order to rectify identified governance failures or operational weaknesses including directives to limit growth in certain high-risk assets, improve loan recovery efforts, strengthen internal controls, or refrain from declaring dividends until compliance with specified financial ratios is achieved;
- (vii) require a Sacco society to merge with or transfer its assets and liabilities to another institution with the concurrence of that institution, or to restructure its operations, if the Authority determines that the Sacco is no longer viable on a standalone basis and such action is necessary to protect members' interests.

Amendment of
section 51 in
Cap. 490B.

14. The principal Act is amended in section 51 by—

- (a) inserting the following new paragraphs immediately after paragraph (a)—

(aa) impose on the Sacco society, or its directors or officers, such financial penalties or fines as may be prescribed for non-compliance with prudential standards, reporting requirements, or governance obligations;

- (b) renumbering the existing provision as subsection (1); and

- (c) inserting the following new subsections immediately after subsection (1)—

(2) The Authority may, by regulations, and in addition to the criminal sanctions under this Act, set a schedule of monetary penalties for various violations including higher fines for repeat violations or for acts of fraud or insider abuse,

provided that any single fine imposed under this section shall not exceed five million shillings for an institution or five hundred thousand shillings for an individual.

(3) The Authority shall publish including on its website a summary of any significant enforcement actions taken against a Sacco society or its officers, including suspensions, removals, or penalties, once any appeal periods have lapsed or appeals determined, in order to promote transparency and deterrence.

(4) Without prejudice to the generality of subsection (3), personal data may be redacted in the case of individuals.

Amendment of section 52 in Cap. 490B.

15. The principal Act is amended in section 52 by—

(a) inserting the following new paragraph immediately after paragraph (a)—

(aa) appoint a person or persons as an advisor or manager to assist in restructuring the Sacco society or to oversee specified operations of the Sacco society, for such period and under such terms of reference as the Authority may determine; and

(b) inserting a new subsection immediately after subsection (2)—

(3) In exercising its powers under this section, the Authority shall have regard to the need to maintain public confidence and protect member deposits.

Amendment of Part VI in Cap. 490B.

16. The principal Act is amended by deleting part VI and substituting therefor the following new part—

PART VI – DEPOSIT GUARANTEE SCHEME FOR SACCO SOCIETIES

Establishment of Deposit Guarantee Scheme for Saccos.

55. (1) There is established a scheme to be known as the Sacco Societies Deposit Guarantee Fund.

Cap. 487C.

(2) The Deposit Guarantee Fund shall be administered by the Kenya Deposit Insurance Corporation established under the Kenya Deposit Insurance Act.

(3) The purpose of the Deposit Guarantee Fund is to provide a deposit insurance mechanism for deposit-taking Sacco societies and such other Sacco societies as may be prescribed, so as to compensate members up to specified coverage limits, in the event of the Sacco's failure.

(4) Every Sacco society licensed or authorised under this Act shall be a member institution of the Deposit Guarantee Fund.

(5) The Kenya Deposit Insurance Corporation as the administrator of the Deposit Guarantee Fund, shall have the power to—

- (a) levy contributions or premiums from Sacco societies;
- (b) manage the fund's resources; and
- (c) pay out insured deposits to members of a failed Sacco society in accordance with the provisions of the Kenya Deposit Insurance Act.

(6) The Cabinet Secretary responsible for matters relating to Sacco societies, in consultation with the Cabinet Secretary to the National Treasury, shall make regulations to facilitate the inclusion of Sacco societies under Kenya Deposit Insurance Corporation.

(7) Without limiting the generality of the subsection (6), the regulations shall provide for—

- (a) the initial capitalisation or seed funding of the Deposit Guarantee Fund which may include an initial government grant or guarantee to Kenya Deposit Insurance Corporation earmarked for the Sacco Scheme or transfer of any existing fund accumulations under the former

Deposit Guarantee Fund
established by this Act;

- (b) the coverage limit per member for insured deposits in Sacco societies which shall be reviewed periodically, with the aim of achieving parity with the deposit coverage for banks under Kenya Deposit Insurance Corporation, over such time as the fund size and risk assessment may allow; and
- (c) the rate of premium contributions by Sacco societies, which may be risk-adjusted and shall be set in consultation with the Authority and the Sacco sector, provided that an initial annual premium flat-rate annual of not less than 0.1% of total deposits may be prescribed, subject to adjustment based on fund adequacy and risk factors.

(8) The Authority shall cooperate with Kenya Deposit Insurance Corporation in the performance of deposit insurance functions.

(9) Each Sacco society shall prominently disclose to its members the existence of deposit insurance coverage.

(10) Any Sacco society that fails to pay the required deposit insurance premiums or levies to the Deposit Guarantee Fund when due shall be subject to enforcement action by the Authority, including penalty interest on the unpaid amount and possible suspension or revocation of its licence for persistent default.

Contribution to
Deposit
Insurance.

56. (1) Every Sacco society shall pay such contributions or premiums to Deposit Guarantee Fund as are lawfully required.

Cap. 487C. (2) The amount and frequency of contributions shall be as prescribed under the Kenya Deposit Insurance Act.

(3) It shall be the responsibility of each Sacco society's Board of directors and Chief Executive Officer to ensure timely payment of all contributions.

(4) Failure to remit contributions on time shall attract penalties and interest as may be prescribed.

Annual reporting on Deposit Insurance Scheme.

57. (1) The Kenya Deposit Insurance Corporation shall submit an annual report to the Cabinet Secretary and to the Authority on the operations and financial status of the Deposit Guarantee Fund.

(2) The annual report referred to under subsection (1), shall include the Fund's audited financial statements, the total premiums collected from Sacco societies, any pay-outs made or pending, and an assessment of the Fund's adequacy relative to the insured deposits of Sacco societies.

(3) A summary of the annual report prepared pursuant to this section, shall be published for the information of Sacco members and the public.

New part.

17. The principal Act is amended by inserting the following new part immediately after section 61—

PART VIA – LIQUIDITY AND STABILISATION FOR SACCO SOCIETIES

Establishment of Central Liquidity Fund.

61A. (1) There is established a fund to be known as the Central Liquidity Fund for Sacco societies.

(2) The Central Liquidity Fund shall serve as a mutual liquidity facility to provide emergency liquidity loans or short-term financial accommodation to member Sacco societies facing temporary liquidity shortfalls.

(3) The Central Liquidity Fund shall be established and operated as a cooperative mechanism owned by the Sacco sector.

(4) The Cabinet Secretary may on recommendation of the Authority and by notice in the gazette, designate a Sacco society, co-operative union or other body to be responsible for the day-to-day management of the Central Liquidity Fund.

(5) The Cabinet Secretary shall appoint a multi-stakeholder forum to be responsible for the overall governance and oversight of the Central Liquidity Fund.

(6) The composition and functions of the multi-stakeholder forum shall be as prescribed.

Contributions
and Membership
of Central
Liquidity Fund.

61B. (1) Every Sacco society licensed under this Act shall be a member of the Central Liquidity Fund upon such terms as shall be prescribed.

(2) The Membership in the Central Liquidity Fund may involve payment of an entrance fee and maintenance of a minimum deposit or shareholding in the Central Liquidity Fund, as well as regular contributions or subscriptions.

(3) The Cabinet Secretary may prescribe different tiers of membership which may include—

(a) Full Members comprising Sacco societies that meet all contribution obligations and thereby have full access to Central Liquidity Fund credit facilities up to a certain limit;

(b) Associate Members comprising smaller Sacco societies or those that opt for reduced contribution levels, with proportionately

limited access to Central Liquidity Fund support; and

- (c) Pay-As-You-Go Participants comprising Saccos that choose not to maintain a standing deposit in the Central Liquidity Fund but may access liquidity loans at higher cost or on a secured basis when needed.

(4) The Cabinet Secretary shall prescribe the contribution formula for Central Liquidity Fund members, taking into account each Sacco's size, asset or deposit base and risk profile.

(5) All contributions and funds of the Central Liquidity Fund shall be held in a ring-fenced account, and used solely for purposes of providing liquidity to member Saccos and managing the operations of the Fund.

Operations of the Central Liquidity Fund.

61C. (1) The Central Bank of Kenya may, in the interests of financial stability, act as a lender of last resort to the Central Liquidity Fund by granting secured loans to the Central Liquidity Fund during times of systemic liquidity stress, for onward lending to Saccos.

(2) The Authority and the Cabinet Secretary shall liaise with the Central Bank to formalise any arrangement made pursuant to subsection (1).

(3) A Sacco society seeking to draw from the Central Liquidity Fund shall demonstrate that it faces a short-term liquidity need and not solvency problems.

Stabilisation Protection Scheme.

61D. (1) The Cabinet Secretary shall facilitate the establishment of a Stabilisation Protection Scheme for Sacco societies.

(2) The Stabilisation Protection Scheme shall be a fund or program aimed at

protecting members and stabilising the Sacco sector by providing financial assistance or capital interventions to distressed but viable Sacco societies, or by facilitating the orderly resolution of merger or wind-up of failing Sacco societies.

(3) The Stabilisation Protection Scheme may be operated as a secondary co-operative society whose members are Sacco societies, or through an apex body appointed for that purpose.

(4) The entity operating Stabilisation Protection Scheme shall be approved and regulated by the Authority to ensure accountability in use of funds.

(5) The Authority shall prescribe the eligibility criteria for a Sacco to receive Stabilisation Protection Scheme support.

MEMORANDUM OF REASONS AND OBJECTS