



## THE SACCO SOCIETIES REGULATORY AUTHORITY (SASRA)

**SASRA Circular No. 7 of 2010**

**Date: 20<sup>th</sup> December, 2010**

To:  
**Chairmen of SACCO Societies Operating FOSA**

Dear Sir/Madam,

### **RE: CAPITAL ADEQUACY PLAN FOR LICENSING PURPOSES**

Pursuant to section 29 of the Sacco Societies Act 2008 and the regulations 4(2i), 9 and 84, we draw your attention to the capital adequacy requirements for licensing purposes.

- a. Regulations 4(2i) requires that a Sacco Society provides evidence of capital adequacy in its application for license.
- b. Regulation 9 provides the minimum capital adequacy requirements that a Sacco Society must maintain at all times. However, regulation 84 (1b-e) relaxes this capital requirement for all Sacco Societies carrying out deposit taking business as at the date of publication of this regulations, which is 18<sup>th</sup> June 2010.

Specifically, the relevant provisions of regulations 84 state that Sacco Societies carrying out deposit taking business shall:

- Build up a core capital of not less than ten million shillings before licensing (84b);
- Build up a core capital of not less than four per cent (4%) of the total assets, which shall graduate to ten per cent (10%) by the fourth year (84c);
- Build up a core capital of not less than two per cent (2%) of the total assets, which shall graduate to eight per cent (8%) by the fourth year (84d);
- Build up a core capital of not less than five per cent (5%) of the total deposits liabilities, which shall graduate to eight per cent (8%) by the fourth year (84e);

Thus the above are the minimum capital adequacy requirements for the Authority to license a Sacco society that was already operating a FOSA in addition to meeting the other requirements as stipulated in regulation 4(2).

Based on the 2009 audited accounts, we have noted that your Sacco is below the Ksh.10 million core capital requirements and advise that you give this matter the highest priority as you prepare the application. The business plan, which is a roadmap on how your Sacco will comply with the regulatory requirements, should address the capital adequacy shortfall. These includes strategies for building the core capital to Ksh.10 million as well as satisfy the other capital ratios at licensing application and the four year plan period.

Please feel free to consult with the Authority on any specific issue that the Sacco requires guidance and/or clarification on licensing.

Yours sincerely,

**CARILUS ADEMBA, HSC**  
**CHIEF EXECUTIVE OFFICER**

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