

# **SACCO DIRECTIVES COMPLIANCE ACTION PLAN GUIDE**

**PRESENTATION BY  
RESERVE BANK OF MALAWI**

# INTRODUCTION

- Following the enactment of the Financial Services Act, 2010 and Financial Cooperatives Act, 2011, Savings and Credit Cooperatives (SACCOs) became an important part of the financial system in Malawi and need to be prudentially regulated to safeguard public funds.
- The laws provide general operational guidance.
- To compliment the laws above, several directives (subsidiary laws) were drafted stipulating minimum prudential requirements for an efficiently and effectively run and managed SACCO .



# INTRODUCTION cont'd

- All SACCOs are therefore required to comply with the minimum requirements as stipulated in the directives or risk not being allowed to operate as a SACCO.
- RBM has decided provide this implementation guidance to help SACCOs draw compliance action plan.
- Each SACCO is required to draw an implementation action plan after the forum.
- Below are SACCO directives and summarized minimum requirements for compliance.

# DIRECTIVE AND MINIMUM REQUIREMENTS

1	Licensing Directive	Transitional Period – 3 years		
		Year 1	Year 2	Year 3
	Capital K1 m primary K30 m secondary			
	Member of National Association			
	Certified copy of registration certificate			
	Certified copy of SACCO By laws			
	Three year strategic plan			

1	Licensing Directive cont'd	Year 1	Year 2	Year 3	
	Written documentation of risk management system				
	Minutes authorizing application for licence				
	Complete the forms				
2	SACCO Premises	Transitional Period – 12 Months ( 1 year )			
	Banking area	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Cubicles				
	Security bars				
	Strong room/safe				
	Security lights				

3	Asset Classification (member loans)	Transitional Period – 12 Months ( 1 year ) Operational (Quarterly assessment)			
	Performing	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Over due loans ( 30 days to 12 months)				
	Loss Loans ( 12 months above)				
	Other Assets (actual loss)				
4	Reporting Requirement	Transitional period – 12 months (Operational)			
	Statement of Financial position	Monthly ( within 15 days of the end of the month)			
	Statement of comprehensive income	Monthly ( within 15 days of the end of the month)			
	Capital Adequacy	Monthly ( within 15 days of the end of the month)			
	Liquidity Statement	Monthly ( within 15 days of the end of the month)			

<b>4</b>	<b>Reporting Requirement cont'd</b>	<b>Transitional period – 12 months (Operational)</b>
	Asset Classification and provisioning	Quarterly ( within 15 days of the end of each quarter)
	Statement of deposit Return	Quarterly ( within 15 days of the end of each quarter)
	Annual return (Full external audit report)	Annually ( within three (3) months of the end of each financial year
<b>5</b>	<b>External Borrowing</b>	<b>Transitional period – 12 months</b>
	5% of total assets	Institutional capital of between 8% and 10%
	10% of total assets	Institutional capital of 10% and more
	Variation of limits	Depended on written permission of the Registrar

<b>6</b>	<b>Capital Adequacy directive</b>	<b>Transitional period – five (5) years</b>
	K1 m (Primary SACCO)	Comprised of K5,000 permanent and non withdrawable member shares, general reserves, retained earnings and capital grants or donations.
	K30 m (Secondary SACCO)	Permanent and non withdrawable shares ( to be determined by SACCO in its by laws), reserves, retained earnings and capital grants and donations.
<b>7</b>	<b>Liquidity Management</b>	<b>Transitional period – 12 months</b>
	10% or more of sum of savings deposits and withdrawable shares	<p>Liquid assets: Cash, bank balances, fixed deposits, treasury bills, any other investment maturing within 30 days</p> <p>Liquidity ratio: Liquid assets less payables due in 30 days divided by sum of total savings and withdrawable shares.</p> <p>To be calculated on weekly basis using closing balances of last business day of the week</p>



8	Corporate Governance Directive	Transitional period – 12 months
	Management	Meet minimum academic and professional qualifications and competencies( fit and proper)
	Board	Possess requisite skills and knowledge (fit and proper)
	Board Subcommittees (Credit and Education), ad hoc	Possess requisite skills and knowledge
	Supervisory Committee	Possess requisite skills and knowledge
	Board remuneration	Approved by members – size and performance
	Internal Audit function	Dependent on size ( recruit or outsource)
	External audit	Dully approved by general membership Audit conducted within three months of the end of the year
	Annual general meeting	Meeting held within four (4) months of the end of the year

# End of presentation

Questions?????

Comments!!!!

# Way forward

Each SACCO to consider its current position as regards the various minimum requirements outlined above and draw a compliance action plan within each directive's stipulated transitional period