

### WHAT IS CENTRAL FINANCE FACILITY (CFF)?

Central Finance Facility (CFF) is a central fund where SACCOs invest. It is a banking service package that MUSCCO operate and matches with the financial services requirements of various types of SACCOs within the system. MUSCCO uses the CFF as its primary source of generating income.

### OBJECTIVES OF CFF

The main objective of CFF is to act as a financial intermediary for all SACCOs affiliated to MUSCCO by;

1. Offering deposits, loan products and other financial services to SACCOs
2. Advising SACCOs the best practices of financial management
3. Managing MUSCCO's treasury functions

### WHY THE CFF?

By pooling funds and jointly investing, it negotiates higher returns for SACCOs

### EXISTING CFF PRODUCTS

The following financial products are currently on offer in CFF;

1. Shares- The CFF dictate that SACCO must invest 10% of members shares with a minimum of MK 2, 000,000 as capitalisation and CFF offers dividend of shares.
2. Deposits- A SACCO can invest in various forms of deposits. The CFF offers competitive rates on deposits.

3. Term deposits-SACCOs invest in term deposit accounts in CFF with a minimum of three months term, beyond the three months it is negotiable. The minimum balance in this account is MK 100,000.

4. Preferential Deposits- Minimum account balance is MK 100,000 and a seven day notice is required prior to withdrawal. A competitive rate of interest is offered.

5. Ordinary Deposits-Withdrawal anytime with a minimum account balance of MK 25,000. A competitive rate of interest is offered.

6. Liquidity Reserve- A SACCO is required to invest 15% of its members' deposits in liquidity reserve account to safeguard members' deposits in times of liquidity squeeze or bankruptcy. A competitive rate of interest is offered.

### **STATUTORY RESERVE DEPOSIT**

SACCOs are encouraged to invest 10% of their total assets at any point in time with MUSCCO to provide a direct match with statutory reserves of a SACCO. Market rate of interest is offered to this account.

### **LOANS TO SACCOs**

The MUSCCO Credit Committee considers loan application forms with reference to the CFF Loan Policy.

1. *Short Term*-Loans with a repayment period of 1 to 6 months
2. *Medium Term*-Loans with a repayment period of more than 6 months but not more than eighteen months

### **STATEMENT OF ACCOUNTS**

All SACCOs' transactions with the CFF will be evidenced by regular monthly statements.