

FARMERS CHOICE REGULATED NON- WITHDRAWABLE DEPOSIT TAKING SACCO LTD

SAVINGS & NON-WITHDRAWABLE DEPOSITS POLICY

JANUARY 2024

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1. INTRODUCTION

Saving enables individuals to foster financial discipline as funds are set aside to cater for future needs. FARMERS CHOICE Non-Withdrawable Deposit Taking Sacco, as a registered Savings and Credit Cooperative Society is allowed to operate non-withdrawable deposit accounts for its members. These deposits/savings shall be utilized for the following purposes depending on account features:

- i. Interests income to the members annually.
- ii. Security for loan facilities.
- iii. Loan set-off upon a member's withdrawal from the society.
- iv. Withdrawal to cater for specific member needs upon expiry of savings duration or upon member decision.

1.2 Policy Objectives

This policy provides guidelines on avenues for members' savings and wealth creation within the society.

1.3 Responsibilities

Board of Directors

The Board of Directors shall:

- i. Approve and ensure adequate implementation of the savings policy
- ii. Ensure that the policy is in place and updated at least once every year.
- iii. Ensure resources are available for savings mobilization.
- iv. Ensure conduct of audit on compliance with this policy.
- v. Ensure audit of compliance with laws and regulations relating to financial crime and unclaimed financial assets.
- vi. Ensure safety of members' savings and availability of funds upon demand by the members.

Education Committee

The Education Committee shall:

- i. Ensure member education forums on savings are conducted regularly to educate members on the essence of saving.
- ii. Facilitate preparation of member educational materials relating to savings.

Chief Executive Officer

The Chief Executive Officer shall:

- i. Ensure savings are mobilized from members in accordance with the by-laws, strategic plan and savings policy.
- ii. Promote excellent service delivery with a view to attracting savings.
- iii. Ensure adequate monitoring of savings activity and taking action to minimize dormancy.
- iv. Ensure effective controls on savings accounts.
- v. Promote and ensure full compliance with the savings policy.
- vi. Ensure compliance with laws and regulations relating to financial crime and unclaimed financial assets

2. GENERAL PROVISIONS

- i. Any person who has attained the age of majority, is of sound mind, a proven clean criminal record and of good standing is eligible to open and operate a deposit/savings account with the society.
- ii. Where one is a minor, a parent or guardian may open a deposit/savings account on their behalf, with the understanding that the guardian operates the account for the benefit of the minor on the signature of the parent or guardian. When a minor reaches the age of majority, a new account is opened in his/her name, and the old one closed.
- iii. Members shall operate deposit and savings accounts subject to acceptance of prevailing terms and conditions, fulfilling membership requirements and providing the necessary documents as may be required at the time of opening the deposit account.
- iv. Adequate caution should be exercised by staff when introducing new members to the society to ensure that all such individuals are known to them and that they meet membership requirements.
- v. All accounts must be opened and maintained as per the legal name of the individual or entity as reflected on the individual's National Identity Card or Kenyan Passport and in

in the case of minors, his/her birth certificate. Names of registered businesses and entities shall be captured as they appear on the registration document.

- vi. Due diligence will be undertaken while opening Savings and deposit accounts They will be opened upon proof of identity, vetting on Anti Money Laundering databases, screening on anti-terrorism watch lists and provision of account operating signature and mandate.
- vii. Searches will be conducted at the registrar of persons and department of immigration to verify authenticity of personal identification documents for individual members as well as all office bearers and signatories of registered entities
- viii. For registered entities, accounts must be opened and operated in accordance with the entity's constitution while legal searches must be conducted in order to establish that those who open accounts are legally authorized to do so under the law and the entity's constitution.
- ix. Photographs will be taken at the account-opening desk for future transactions identification; any exception will be at the discretion of the Chief Executive
- x. Where a member is unable to sign his/her left thumbprint shall be affixed in the presence of two SACCO employees holding management positions and shall have the same force and effect as if it were the member's signature.
- xi. A witness must accompany a blind or deaf member during membership application, account opening or transactions.
- xii. Transactions involving blind and deaf persons shall also be witnessed by 2 staff members one of which must be a manager. The witness accompanying the deaf or blind member must always sign on the membership forms, account opening forms or the transaction documents.
- xiii. Interest, charges, tariffs and penalties on savings and deposit accounts shall be determined from time to time by management and approved by the board. They shall be published under the society's tariff guide

3. ELIGIBILITY FOR SAVINGS & DEPOSIT ACCOUNT

- i. Savings and deposits products are available to registered and active members only.
- ii. A member must have fulfilled membership conditions as outlined in the by-laws.

- iii. A member MUST have a non-withdrawable deposits account product in order to qualify for other savings and deposits products.
- iv. There is no limit to the amount of saving on any of the savings product.
- v. The SACCO shall avail various Savings remittance options which include but not limited to Automatic payroll check-off, bank standing order, direct bank cash deposits, direct bank transfers via EFT or RTGS, or use of mobile money deposits through pay bill.
- vi. There shall be rejoining fees charged to those members who may have left the society and wish to rejoin in line with approved tariffs.
- vii. Account reactivation fees shall be charged to the member accounts that become dormant

4. DEPOSIT & SAVINGS ACCOUNTS

The Society shall operate the following types of deposit/savings accounts

a) Non-Withdrawable Deposits

Subject to the society's by-laws and future resolutions of the General meeting, non-withdrawable deposits:

- i. Eligibility is exclusively limited to members admitted in accordance with the society's by-laws.
- ii. Shall be mandatory for every member of the society.
- iii. Shall represent members' savings not available for withdrawal for the duration of the membership of a member of the society.
- iv. May be used as collateral against borrowings by the member and in support of a member's guarantee for other members' borrowings.
- v. Shall not be withdrawn in part unless on resignation of a member, or in exercise of his/her right to do so after giving to the Society sixty days' notice, in which case, it will be withdrawn in whole.
- vi. May be transferred, with the approval of the Board of directors, at any time to another member and such transfer shall not become valid until registered by the Secretary.
- vii. Will be eligible for to earn interest as determined by the General Meeting.
- viii. Balances will be payable to a member's nominees upon the death of a member.

- ix. Shall be subject to a minimum amount of savings on a monthly basis or such other regularity as established under the society's by-laws or as may be determined by the General Meeting from time.

b) Short-term Savings Accounts

The board may from time to time establish short-term savings and deposit products with the view to encouraging thrift amongst members. Subject to the society's by-laws, existing regulations and resolutions of general meetings, short-term savings:

- i. Eligibility is exclusively limited to members admitted in accordance with the society's by-laws.
- ii. Accounts shall not be operated on a transactional basis and must have a minimum savings period as outlined in each product document.
- iii. Will be on a voluntary basis for each member.
- iv. Will be eligible for interest payment as determined by the General Meeting from time to time.
- v. Minimum contributions, withdrawal conditions and regularity of savings thereof shall be outlined in each product document as approved by the board of directors.
- vi. Shall be used to support a member's borrowing and guarantees for other member borrowing.
- vii. Shall not be withdrawn unless any supported borrowings are repaid in full or alternative acceptable collateral is availed.
- viii. Partial withdrawal will be allowed in accordance with terms and conditions set out in each product document.

c) Minor's savings accounts

- i. Eligibility is exclusively limited to members admitted in accordance with the society's by-laws.
- ii. Will be operated by a minor's legal parent or guardian.
- iii. Must be converted to a non-withdrawable deposit or other short-term savings upon the minor's attaining age of majority and admission into the society's membership. Alternatively, if the minor opts against joining the society, the savings may be withdrawn in full.

- iv. Accounts shall not be operated on a transactional basis and must have a minimum savings period as outlined in each product document.
- v. Will be on a voluntary basis for each member.
- vi. Will be eligible for interest payment as determined by the General Meeting from time to time.
- vii. Minimum contributions, withdrawal conditions and regularity of savings thereof shall be outlined in each product document as approved by the board of directors.
- viii. Shall NOT be used to support a member's borrowing and guarantees for other member borrowing.
- ix. Partial withdrawal will be allowed in accordance with terms and conditions set out in each product document.

5. INTEREST RATES AND COMMISSIONS

The society shall ensure safe and sound interest rate management on savings/deposits. This aims at guarding the savings against inflation while ensuring competitiveness.

A. Interest Rate Management

Interest rate management will depend on the following considerations

- 1. Prevailing inflation rates in the markets
- 2. Real interest rates
- 3. Financial market behavior
- 4. Market competition
- 5. Mobilized savings volume/business activity
- 6. Savings transaction costs.

B. Specific Policies

- 1. Interest rates shall be competitive in the market environment where the society operates.
- 2. Interest rates shall be reviewed and adjusted periodically according to the patterns maintained by the competition and market trends.
- 3. Interest rates, calculations and capitalization periods are variable and shall be applied according to the services offered by the society.
- 4. If the financial market allows, interest rates on savings/deposits shall be equal to or

greater than the inflation rate in order to preserve the real value of the deposits.

5. Interest rates shall be differentiated according to savings amounts.
6. Minimum savings amounts shall be established for opening an account.
7. Real interest rates for different savings ranges shall be marketed in order to present competitive advantage for the society.
8. Negotiable interest rates can be offered for a select market niche with a great savings capacity to maximize the amount of savings.
9. Interest capitalization periods for different savings approaches may be applied on a daily, monthly or quarterly basis.
10. The calculation of interest on savings accounts shall be based, if applicable, on the daily balance or on the average savings; the most competitive and impartial base to benefit the members shall be analyzed.
11. The calculation of interest shall be based on a 365 calendar year and the corresponding days of each month. The interest calculation shall be done until the day prior to the closing of the account.
12. The Board of Directors shall approve the rules relating to savings mobilizations while management shall be responsible for enforcing them.
13. Internal Audit will carry out ongoing supervision to establish that all of the provisions issued by governing and controlling bodies are carried out.
14. Savings mobilization shall involve implementation, previous or parallel, of a series of financial disciplines, necessary to protect members' savings, to preserve a sound institutional image as a financial intermediary and, to establish market trust on savings management.
15. **Liquidity Reserve** - Savings Management shall involve maintenance of a reserve percentage calculated on all savings. The reserve shall be composed of cash, funds deposited in other financial institutions and yielding liquid financial instruments readily available to cover unexpected withdrawals. The liquidity reserve shall be in line with regulatory requirements but not less than 20% of the deposit portfolio.
16. **Capitalization** - Savings mobilization, when done productively, shall yield a reasonable growth and income through on-lending of funds. A portion of income from lending shall be passed on to savers in the form of interest. Savers will be encouraged to retain

interest earned with a view to growing the overall deposit base.

17. Delinquency - Shall be reduced to the minimum, so that deposits finance a sound portfolio with maximum yield. Otherwise, the need to create provision losses will reduce profitability and the capitalization level. Delinquency shall not exceed 5% of the loan portfolio volume.

18. Non-Productive Assets - The savings portfolio shall only finance productive assets. Liabilities with a loss or assets which do not generate income shall not be financed from savings.

19. Idle Liquidity - Daily management of non-earning cash shall be done in order to ensure only amounts required to meet withdrawals and grant loans is maintained.

20. Financial Structure - The savings portfolio shall be the main source for self-financing total assets growth.

21. Interest Rate on Deposits - Interest rate on deposits shall be set at competitive levels in order to protect the real value of members' savings from inflation.

22. Terms Matching - Short-term savings funds shall be invested in short-term assets

6 DUE DILIGENCE ON MEMBERS AND FUNDS

1. Mobilized funds will be subject to all financial crime regulations including but not limited to Money Laundering and Counter Terrorism Financing laws and regulations.
2. Transaction and account activity monitoring shall be conducted in line with laws relating to financial crime in force in the Republic of Kenya.
3. Background checks shall be taken in obtaining sufficient and reliable identification information of all members i.e. Know Your Customer (KYC) and Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) requirements.

7 MEMBER AND ACCOUNT DORMANCY

- i. An account that has had no member initiated transactions for a period of 12 months shall be deemed as dormant and shall be flagged for all debit transactions
- ii. Only credit transactions shall be allowed into dormant accounts.
- iii. Management shall seek to contact dormant members using SMS, telephone call and face to face visits with a view to preventing dormancy.
- iv. After the 12th month of inactivity, account image access shall be restricted to authorized management staff only.

- v. Dormant members shall not be eligible for loans or qualify to guarantee other members unless they reactivate their accounts and comply with all borrowing requirements.
- vi. Dormant accounts will be reactivated only after written authorization of the account holder. The instructions will be delivered by the account holder in person.
- vii. Dormant account reactivation instructions on E-mail, telephone or any electronic means are prohibited.
- viii. A management staff member shall interview the member to establish reasons for dormancy and verify identification before approving the instructions.
- ix. Where a member has one dormant account and another active account, dormant account restrictions shall apply only to the dormant account.

8. UNCLAIMED FINANCIAL ASSETS LAWS REGULATIONS

Account dormancy shall be subject to the requirements of the Unclaimed Financial Assets Act, 2011 and the Unclaimed Financial Assets Regulations 2016 or any other laws that will be passed from time to time. Consequently, where no member induced transactions are effected in an account within 5 years, dormant accounts shall be handled as follows:

- i. Efforts shall be made to ensure that members or their next of kin are contacted for purposes of ensuring that no accounts are classified as unclaimed financial assets.
- ii. Upon expiry of 5 years after becoming dormant, an account shall be classified as an unclaimed financial asset.
- iii. To ensure that accounts are not classified as unclaimed financial assets, members will be required to make a deposit, withdrawal or communicate in writing to the SOCIETY about their intention to continue operating the account.
- iv. Within 90 days of an account being classified as an unclaimed financial asset, the SOCIETY shall send a written notice to the member last known address copied to his/her next of kin to inform them of the account being classified as an unclaimed financial asset.
- v. On 1st November of each year, the Chief Executive Officer shall file a report on all accounts classified as unclaimed financial assets as at 30th June of the same year in

accordance with the provisions of Section 20 of the Unclaimed Financial Assets Act 2011 and remit the balance in the account in accordance with Section 22 of the Unclaimed Financial Assets Act 2011.

- vi. Where a member has one account that qualifies as an unclaimed financial asset and others that do not, none of their accounts shall be classified as an unclaimed financial asset. Efforts will however be made to ensure that the said account is regularized.

8.DISCLOSURE

The SACCO shall publish the terms and conditions of its deposit and savings accounts with as a form of disclosure to all members

9. PENALTIES

- The society shall levy penalties on interest rates of scheduled savings accounts and fixed term deposits withdrawn by members prior to their maturity; the penalties shall be applied according to the conditions of each deposit and as outlined under the Sacco Tariffs.
- The society is entitled to close savings accounts, which have been handled in a dubious manner, outside the law or in an irregular way. Such accounts will be closed after giving a member 30 days' notice.

10. ILLEGAL OPERATIONS AND PREVENTIVE MEASURES

SACCO's, because of the nature of their operations, are exposed to being used as a means to legitimize illegal transactions for money laundering and other prohibited activities. This policy sets forth guidelines that can help the Board of Directors, Management and employees to prevent the society from being used as a vehicle for financial crime. The board and management shall take measures to:

- Reduce the possibility that the society will be a victim or an instrument of illegal activities by its members.
- Protect the good name and reputation of the society.
- Not to interfere in the relationship of the society with its good members.
 - 1) Within this concept it is important to take into account that appearances can be deceiving.

- 2) Potential members may appear as legitimate but in reality are carrying on illicit activities; likewise, decent customers may be rejected because their activities appear to have something illegal.
- 3) Likewise, it is necessary to consider that certain influences on legitimate members can convert them into hazards.
- 4) Consequently, staff members must continuously conduct due diligence and enhanced due diligence on all members and transactions

10.1 GUIDING PRINCIPLES

- Every member beginning a relationship with the society shall fill out and duly sign the Member Registration Form.
- Due diligence shall be undertaken to determine the true identification of all members, verifying that they do not appear on the list of persons involved in financial crimes.
- Care shall be taken to identify the legitimacy and ownership of all of the accounts and those who use these services for depositing securities in custody and safety deposit boxes.
- Staff members shall remain alert with a view to detecting transactions and/or businesses that are not related to the member's usual business.
- As a general rule, a relationship with the institution shall never be established until the identity of a potential member is satisfactorily verified.
- If a member refuses to voluntarily give required information, the relationship shall not be established. Likewise, if the documents that the member offers to submit in the future are not delivered in time, any relationship between the society and the member shall be terminated
- Staff members shall try to obtain the identification and source of the funds of all of those members who carry out significant transactions.
- The following is a description of the general principles that shall be followed in controlling illegal transactions

i. Individual Accounts

- a) No accounts should be opened without satisfactory identification of the member.

- b) Staff shall establish the residence or work site of the customer.
- c) Further enquiries should be made if a customer is opening an account far away from his/her area of operation.
- d) Staff must evaluate the source of funds; very large cash transactions shall be questioned, unless the customer's business levels match with the volumes.
- e) Small transaction which if aggregated would amount to a large transaction will be subjected to the same scrutiny as large transactions.
- f) Regular transaction monitoring will be conducted in line with the Proceeds of Crime & Anti-Money Laundering Regulations 2013 and any other laws and regulations that may be passed from time to time.
- g) Staff must request references from the customer and verify that the customer has no prior dubious activities.

Business, Groups and other

Entities

The Sacco shall:

1. Carry out due diligence measures to ensure that the entity and/or group actually exists and, if possible, request prior banking references; follow up with a phone call or a visit to the business.
2. Confirm the source of the funds and question large cash deposits, unless the business merits it.
3. Where an entity is a trust, is owned by other institutions or is run by proxies, steps will be taken to ascertain the identity of the beneficial owners.
4. The following information shall be obtained about large accounts: balance sheets, the description of the line of business, list of suppliers and/or customers, etc.
5. Suspicious customer conduct and transaction that may suggests presence of illegal activities relates to the following:
 - Insufficient, false or suspicious information
 - Huge cash deposits that do not match with the level of customer's business volumes
 - Corresponding huge transfers with recent deposits that is inconsistent with

customer's activities.

11 Review and amendment of Board Charter

This policy shall be reviewed and amended annually or as often as changes in laws and regulations necessitate changes. All amendments shall be supported by a minute of the board

12 APPROVAL AND ADOPTION OF THE POLICY

This document was discussed and approved for implementation as a policy and

Procedures of the Society in respect to Savings Policy with effect from _____
_____2020. It is approved under Minute Number _____ of Board of Directors Meeting held
on_____.

We the undersigned directors of FARMERS CHOICEREGULATED NON-WITHDRAWABLE DEPOSIT
TAKING SACCO hereby adopt the Savings Policy for and on behalf of the Society.

TITLE	NAME	I.D NO	SIGNATURE
Chairman			
Vice Chairman			
Secretary			
Treasurer			

WITNESSED BY

CEO

Dated at Nairobi this _____ day of _____ 2024.