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CONTENT

Act—

PAGE

The Samburu County Co-operative Societies Act, 2020..... 1

**THE SAMBURU COUNTY CO-OPERATIVE SOCIETIES ACT,
2020**

No. 7 of 2020

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ARRANGEMENT OF SECTIONS

Section

PART I—PRELIMINARY

- 1—Short title.
- 2—Interpretation.
- 3—Objectives and purpose of the Act.
- 4—Application.

PART II— ADMINISTRATION AND OFFICES

- 5—Role of the County Executive.
- 6—Directorate of Co-operatives Development.
- 7—Powers of the Director.
- 8—Offices.

PART III—PROMOTION AND DEVELOPMENT

- 9—Promotion and Development.
- 10—County Co-operatives Development Forum.

**PART IV—REGISTRATION OF COOPERATIVE
SOCIETIES**

- 11—Registration of Co-operative Societies.
- 12—Eligibility for Registration.
- 13—Procedure for registration.
- 14—Appeal against refusal to register.
- 15—Register of co-operative societies.
- 16—Compliance with the Act.
- 17—Limitation of liability.
- 18—Corporate status.
- 19—Deregistration.

- 20—Evidence of registration.
- 21—Display of the certificate of registration.
- 22—Reservation of name.
- 23—Undesirable name.
- 24—Protection of the name “Co-operative”.
- 25—Change of name.
- 26—By-laws.
- 27—Amendment of by-laws.
- 28—Fines for violation of by-laws.
- 29—Keeping of the copy of the act and by laws.

PART V—RIGHTS AND LIABILITIES OF MEMBERS

- 30—Qualification for membership.
- 31—Membership subject to authorization by annual general meeting.
- 32—Limitation of holding share capital.
- 33—Limitation of membership to one society.
- 34—Transfer of shares.
- 35—Rights of members.
- 36—Voting rights of members.
- 37—Member’s obligations.
- 38—Conditions for exercising rights.

PART VI—DUTIES OF CO-OPERATIVE SOCIETIES

- 39—Registered address of a Co-operative Society.
- 40—Record to be kept.
- 41—Estimates of income and expenditure.
- 42—Account and audit.
- 43—Approval of auditors.
- 44—Production of books and other documents.
- 45—Audit by directorate.

PART VII—GOVERNANCE OF CO-OPERATIVE SOCIETIES

- 46—General meetings.

- 47—Membership and powers of the committee.

PART VIII—AMALGAMATION AND DIVISION OF COOPERATIVE SOCIETIES

- 48—Amalgamation of co-operative societies.
- 49—Division of co-operative societies.

PART IX—RIGHTS AND OBLIGATIONS OF CO-OPERATIVE SOCIETIES

- 50—Society to have charge over member’s produce.
- 51—Society to have first charge over debts, assets, etc. in certain cases.
- 52—Society to have first charge over members’ share.
- 53—Failure to remit the sum deducted.
- 54—share not subject to attachment.
- 55—Liability of past members.
- 56—Liability of deceased members.
- 57—Transfer of share or interest of deceased members.
- 58—Evidence of member’s interest in society.
- 59—Restriction on Production of Society’s Books.

PART X—PROPERTY AND FUNDS OF CO-OPERATIVE SOCIETIES

- 60—Application of society’s property and funds.
- 61—Procurement and disposal of assets rules.
- 62—Loans.
- 63—Restriction on giving loans.
- 64—Restriction on borrowing.
- 65—Limitation of borrowing powers.
- 66—Investment of society’s funds.
- 67—Declaration and payment of bonus and dividends.
- 68—Maintenance of reserve Fund.
- 69—Distribution of net balance.
- 70—Front office services.
- 71—Inspection of front office.

PART XI—CHARGES BY CO-OPERATIVE SOCIETIES

- 72—Creating charge over society's property.
- 73—Charge to comply with applicable law.
- 74—Charges to be registered with the Directorate.
- 75—Register of charges.
- 76—Certificate of satisfaction of charges.
- 77—Receiver to give notice of his appointment.
- 78—Keeping of instruments of charge.
- 79—Keeping of register of particulars of charges.
- 80—Right of members and creditors.

PART XII — INQUIRY AND INSPECTION

- 81—Inquiry by the Directorate.
- 82—Inspection of books of indebted society.
- 83—Expenses of inquiry.
- 84—Routine Inspection.

PART XIII—DISSOLUTION

- 85—Procedure for dissolution.
- 86—Cancellation of registration.
- 87—Effects of cancellation.
- 88—Companies Act to operate.
- 89—Appointment of liquidator.
- 90—Powers of liquidator.
- 91—Liquidation account of societies.
- 92—Powers of the Director during liquidation.
- 93—Appeal against order of liquidator or directorate.
- 94—Institution of winding up proceedings.
- 95—Powers to restrain convicted Person from being officers of society.

PART XIV—SURCHARGE

- 96—Power to surcharge officers of cooperative society.
- 97—Appeal against order.

- 98—Recovery of surcharge.

PART XV—SETTLEMENT OF DISPUTES

- 99—Disputes.

PART XVI—GENERAL PROVISIONS

- 100—Remuneration of officers and members of society.
- 101—Restriction on use of word "Co-operative".
- 102—Co-operative Development Fund.
- 103—Power to make regulations.
- 104—Exemption.
- 105—Other Powers of the directorate.
- 106—Offences.
- 107—Savings.

**THE SAMBURU COUNTY CO-OPERATIVE SOCIETIES ACT,
2020**

AN ACT of the County Assembly of Samburu to implement section 7 (e) of part 2 of the Fourth Schedule to the Constitution by providing the legal and institutional framework for the constitution, registration and regulation of cooperative societies and for purposes incidental thereto.

ENACTED by the County Assembly of Samburu, as follows—

PART I—PRELIMINARY

Short title and commencement

1. This Act may be cited as the Co-operative Societies Act, 2021 and shall come into force on such date as the County Executive Committee Member may by notice in the *Gazette* appoint.

Interpretation

2. In this Act, unless the context otherwise requires—

“agricultural produce” means any produce or article produced or obtained by the work or industry of members of a co-operative society or marketed by a co-operative society, whether the produce be of agriculture, animal husbandry, forestry, fisheries, handicrafts or otherwise;

“Apex society” means a society formed at the national level by the cooperative movement in Kenya and registered under the Cooperative Societies Act Cap 490 to promote cooperative development and represent the interests of cooperative societies locally and internationally;

“bonus” in relation to a member of a co-operative society, means that member’s share of the surplus of the society which is divided amongst its members, calculated by reference to the proportion which that member’s volume of business with the society bears to the total volume of business done by the society;

“by-laws” means the by-laws made by a society and registered under this Act and includes any registered amendment of such by-laws;

“capital” means the permanent members equity in the form of common stock and includes all disclosed reserves, retained earnings, grants or donations;

“Committee” means the governing body of a co-operative society that is established under Section 47 of this Act;

“Director” means the County Director of Cooperatives appointed under section 6 of this Act and includes any person on whom any of the

powers of the Director have been conferred in accordance with this Act.

“contributor” means a person liable to contribute to the assets of a co-operative society in the event of its being wound up and for the purposes of any proceedings for determining and before the final determination of the persons who are to be deemed contributors, includes any person alleged to be a contributor;

“co-operative society” means a society registered under section 12 of this Act;

“deposit” means a sum of money paid on terms under which it shall be repaid, with or without interest or premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the society to receive it at the risk of the society receiving it;

“dividend” in relation to a member of a co-operative society, means that member’s share of the surplus of the society which is divided amongst its members, calculated by reference to the proportion which that member’s share capital bears to the total share capital of the society;

“Cooperative union means” means a cooperative society whose membership is restricted to primary societies;

“Executive Committee Member” means the County Executive Committee responsible for co-operative affairs;

“limited liability” means limited by shares or limited by guarantee, according to the nature of the liability prescribed by the by-laws of the co-operative society;

“member” includes a person or a co-operative society joining in the application for the registration of a society, and a person or co-operative society admitted to membership after registration in accordance with the by-laws;

“officer” includes a chairman, vice-chairman, secretary, treasurer, committee member, employee or any other person empowered under any rules made under this Act, or by-laws of a co-operative society, to give directions in regard to the business of the society;

“personal representative” means any person who, under law or custom, is responsible for administering the estate of a deceased person;

“share” means the amount represented by a member’s portion in the equity of a society as a co-owner;

“special resolution” means a resolution passed by two thirds of the members present and voting at a general meeting of a society;

“supervisory committee” means an oversight committee elected at a general meeting;

“Special general meeting” means a general meeting, other than an ordinary general meeting, of which at least fifteen clear written notice of the resolution and of the date, time and place of the meeting has been given to each member;

“Prescribed” means prescribed by the Member of the Executive Committee;

“Primary society” means a cooperative society whose membership is restricted to individual persons;

“regulations” means regulations made under this Act.

Objectives and purpose of this Act

3. (1) The overriding objectives of this Act is to provide a comprehensive, harmonized, efficient and effective legal and regulatory framework for development and regulation of the cooperative sector in the County by—

- (a) enabling the formation, registration and operation of cooperatives;
 - (b) promoting cooperative philosophy, principles, practices and objectives;
 - (c) protecting the interests of cooperatives, their members and the public in the operations and activities of co-operatives;
 - (d) ensuring committee members and officials of cooperatives are accountable for their actions and decisions to the members of cooperatives;
 - (e) encouraging and facilitating self management by cooperatives at all levels; and
 - (f) Encouraging the development, integration and strengthening of cooperatives at the village, ward, sub-county, and county levels by supporting and fostering peak organizations and cooperative instrumentalities.
- (2) All County Government agencies, public servants and bodies charged with development and regulation of the cooperative sector shall at all times have due regard to, and observe, the overriding objective of this Act as set out in subsection (1).

(3) Whenever there is a conflict between this Act and any other written law, having a bearing on achievement of the overriding objective of this Act, the provisions of this Act shall prevail.

(4) This Act applies to a co-operative society operating within the County.

Application

4. This Act shall apply to any cooperative society registered under this act or registered under any written law but operating within the county.

PART II—ADMINISTRATION AND OFFICES

Role of the County Executive

5. The County Executive shall be responsible for the growth and development of Co-operative Societies in the County, and shall in particular—

- (a) develop and oversee the implementation of the County Co-operative Societies policies and strategies;
- (b) promote good governance in co-operative societies;
- (c) provide liaison with the National government on matters relating to Co-operative Societies;
- (d) advise the County Governments on matters relating to Co-operatives;
- (e) authorize the cancellation of Licenses or de-registration of Co-operative Societies, subject to the provision of this Act;
- (f) issue guidelines and regulations to facilitate growth and regulation of Co-operative Societies; and
- (g) perform such other functions as may be assigned to the office under this Act.

Directorate of Co-operative Development

6. (1) There is established the Directorate of Cooperative Development headed by a Director, which shall be an office in the County Public Service Board.

(2) The Directorate shall be responsible for—

- (a) The regulation and development of the cooperative sector in the county in accordance with the provisions of this Act;

- (b) Promoting and facilitating the establishment of cooperative societies;
 - (c) Supervising Cooperative Societies and ensuring compliance with the Act and any other written law;
 - (d) Providing Liaison with the National Government on any matter related to this Act;
 - (e) advise the executive member generally on any policy to be adopted or matter necessary for effective achievement of the objectives.
- (3) The directorate shall prepare an annual report on the development and status of cooperative societies which shall provide among others for—
- (a) the status of promotion of formation of cooperative societies;
 - (b) the level of growth and development of cooperative societies;
 - (c) the challenges faced in implementing the act and proposed mitigation measures;
 - (d) the status of promotion of good corporate governance among cooperative societies;
 - (e) the challenges faced by cooperative societies and proposed mitigation measures;
 - (f) any other matter as may be prescribed.
- (4) The directorate shall submit the report to the Executive Member not later than two months after the end of each financial year.
- (5) The executive Member shall, within fourteen days of receiving the annual report submit it to the County Executive Committee and thereafter within twenty one days transmit it to the Clerk of the County Assembly for tabling before the County Assembly for consideration.

Powers of the Director

7.(1) The Director shall have powers to perform the functions assigned to the directorate in furtherance of the purpose of this Act.

(2) The Director may delegate in writing any of his powers under this Act generally or specially to officers appointed under section 9 or to any other person.

Officers

8. The County Public Service Board shall recruit such other officers who in the opinion of the Member of the Executive Committee are

required to assist the Director in the performance of functions under this Act.

PART III—PROMOTION AND DEVELOPMENT

Promotion and Development

9. The Directorate shall—

- (a) mobilize county residents. Farmers, traders, business community and person involved in any enterprise to form cooperative societies;
- (b) facilitate the formation and establishment of cooperative societies;
- (c) supervise cooperative societies registered under this Act;
- (d) promote growth and development of cooperative societies;
- (e) promote and facilitate advancement and integration of good corporate governance in cooperative societies; and
- (f) carry out any other functions as may be assigned by the Executive Member for the purposes of implementing this Act.

County Co-operative Societies Forum

10. (1) There is established the County Co-operative Societies Forum.

(2) The Co-operative Societies Forum shall consist of representatives from each type of a co-operative society in the County based on membership and turnover.

(3) The Co-operative societies Forum shall be responsible for—

- (a) providing a platform for consultations and dialogue among cooperative societies;
- (b) reviewing and monitoring the growth and development of cooperative societies;
- (c) identifying and proposing policies, programs and plans to be adopted for promoting and supporting growth and development of cooperative societies;
- (d) facilitating coordination of the implementation of this act; and
- (e) carrying out any other functions assigned by the Executive Member.

(5) The Director shall be the secretary of the Co-operative societies Forum.

(6) The County Executive Committee Member shall prescribe the procedures for conduct of business of the co-operative societies' forum.

(7) County Co-operative Societies forums shall be held annually.

PART IV—REGISTRATION OF CO-OPERATIVE SOCIETIES

Registration of Cooperative Societies which may be registered

11. (1) Subject to the provisions of this Act, a society which has for its objects—

- (a) the promotion of the welfare and economic interest of its member; and
- (b) has incorporated in its by-laws the following Co-operative principles—
 - (i) voluntary and open membership;
 - (ii) good corporate governance;
 - (iii) pursuit and common interest;
 - (iv) existence primarily for members benefit as core purpose;
 - (v) promotion of improvement of members economic and social welfare;
 - (vi) co-operation; and
 - (vii) free participation in society's activities by members may be registered by the Director as a Co-operative Society under this Act with limited liability.

(2) Two or more Co-operative Societies may apply to amalgamate and form one Co-operative Society subject to compliance with the regulations on amalgamation prescribed in accordance with this Act.

(3) A Co-operative Society may apply to divide into two or more Co-operative societies subject to compliance with the prescribed regulations under this Act.

Eligibility for Registration of a Co-operative Society

12. For a Society to be registered under this Act, it shall—

- (a) consist of at least ten persons all of whom shall be qualified for membership of the Co-operative Society under section 30, in the case of a primary society; or
- (b) have at least two registered Societies as its members, in the case of a Co-operative union.

Procedure for Registration

13. (1) The application shall be accompanied by four copies of the proposed by-laws of the society in English, the prescribed registration fee, and the person or persons by whom or on whose behalf such application is made shall furnish such information with regard to the society as the Director may require.

(2) The Director shall within 30 days review the application and issue the Certificate of Registration to the applicant who meets the registration requirements.

(3) If an application for registration does not meet the requirements under this Act, the Director shall reject the application and notify the applicant accordingly within fourteen days of the decision to reject the application.

(4) The Member of the Executive Committee shall make rules and regulations providing the powers of the Director to issue provisional registration for a period not exceeding one year to applicants who don't meet the requirements under this Act.

Appeal against refusal to register

14. (1) A Co-operative Society may appeal to the County Executive against the decision of the Director refusing to register the Society.

(2) Any party aggrieved by the decision of the County Executive under subsection (1) may appeal against the decision to the high Court within thirty days.

Register of co-operative societies

15. (1) The Director shall keep or cause to be kept at its office a record called the register of co-operative societies wherein shall be entered particulars relating to the registration of societies and their by-laws and any amendments thereto.

(2) Every entry in the register shall be made by, or under the direction of, the Director and shall be signed by him and every alteration, interlineations or erasure shall be initialed by the Director.

Compliance with the Act

16. (1) A co-operative society shall not operate within the County, unless in accordance with the provisions of this Act and any other written law.

(2) A co-operative society that contravenes this section commits an offence and shall be liable to a fine of fifty thousand only.

Limitation of liability

17. (1) The liability of members in a co-operative society shall be limited to the amount of shares held or to the contribution made to such society.

(2) Notwithstanding subsection (1), the liability of members may be unlimited.

Corporate Status

18. (1) A co-operative society registered under this Act shall be a body corporate by the name under which it is registered, with perpetual succession and a common seal and shall in its corporate state be capable of—

- (a) taking, purchasing or otherwise acquiring, holding, charging, or disposing of movable and immovable property;
- (b) borrowing money or making investments;
- (c) entering into contracts; and
- (d) doing or performing all other acts or things for the proper performance of its functions under this Act which may lawfully be done or performed by a body corporate.

19. Deregistration (1) subject to subsection (2) and (3) where a co-operative society fails to comply with the requirements of this Act or any other relevant written law, the directorate may deregister the society.

(2) The directorate shall, before deregistering the Co-operative society give it—

- (a) a notice of intention to deregister, which shall not be less than sixty days before such withdrawal;
- (b) an opportunity for hearing on the matters leading to non compliance.

(3) A cooperative society may within the sixty days stipulated under subsection (2) comply with the requirements of this Act as directed by the directorate.

(4) Where the co-operative society fails within the sixty days to comply with this Act, the directorate shall deregister it until such a time when the Co-operative society complies with the requirements of this Act.

Evidence of registration

20. A certificate of registration or of provisional registration signed by the Director shall be conclusive evidence that the society therein

mentioned is duly registered or provisionally registered unless it is proved that such registration of the society has been cancelled or has been terminated.

Display of the certificate of registration

21. The certificate of registration bearing the number and date of registration shall be displayed at the head office of every cooperative society.

Reservation of name.

22. (1) The Director may, on written application, reserve a name pending registration of a cooperative society or a change of name by a co-operative society.

(2) Any reservation under subsection (1) shall remain in force for a period of thirty days or such longer period, not exceeding sixty days, as the Director may, for special reasons, allow, and during such period no other co-operative society shall be entitled to be registered with that name.

Undesirable Name

23. No name shall be reserved, and no co-operative society shall be registered by a name which consists of abbreviations, initials or by name, which, in the opinion of the directorate, is undesirable.

Protection of the name "Co-operative"

24. (1) A society shall not be registered under a name identical to an existing society, or under any name likely, in the opinion of the Director, to mislead the members of the public as to its identity.

(2) The word "Co-operative" shall form part of the name of every co-operative society, and the word "Limited" shall be the last word in the name of every co-operative society.

Change of name

25. (1) A co-operative society may, by special resolution and with the approval of the Director signified in writing, change its name.

(2) An amendment which changes the name of a co-operative society shall not affect any right or obligation of that society or any of its members, and any legal proceedings pending may be continued by or against the society under its new name.

(3) The Director may, if he is satisfied that an amendment under this section was effected pursuant to a misrepresentation or concealment of a material fact by the person applying for registration, cancel the registration.

By-laws

26. (1) The by-laws of a co-operative society, shall, when registered, bind the co-operative society and the members to the same extent as if they were signed by each member and contained covenants on the part of each member for himself and his personal representatives to observe all the provisions of the by-laws.

(2) All money payable by any member to the co-operative society under the by-laws shall be a debt due from him to the co-operative society.

(3) A cooperative society shall make by-laws in respect to the following matters —

- (a) its name;
- (b) its registered office and postal address;
- (c) its area of operation and membership common bond;
- (d) the objects of the society;
- (e) the purpose to which its fund may be applied;
- (f) the disposal of its accumulated funds;
- (g) the qualification for membership, the terms of admission of members and the mode of their admission;
- (h) the withdrawal and expulsion of members and the payment, if any to be made to such members and the time within which such payment shall be made;
- (i) the rights, liabilities and obligation of members, including the minimum shareholding and produce delivery;
- (j) the transfer of the shares and interests of the members;
- (k) the manner of raising funds, including the maximum rate of interests on deposits;
- (l) its general meetings, the procedure and quorum of such meetings, power of such meetings and representation and voting at such meetings.
- (m) the appointment, suspension and removal of members of the committee and officers and the powers and duties of the committee and officers;
- (n) the period of its financial year;
- (o) the authorization of officers to sign documents on its behalf;

- (p) the settlement of disputes; and
- (q) such other matters as may be expedient for the better carrying out of its objects.

(4) If the object of the society include the creation of funds to be lent to its members, by-laws shall also be made in respect of the conditions and other requirements on which the loans and advances may be made to members including—

- (a) the rate of interest;
- (b) the maximum amount which may be lent to a members;
- (c) the extension, renewal and recovery of loans;
- (d) the security for loans; and
- (e) the consequences of default in the repayment of any sum due.

Amendments of by-laws

27. (1) A co-operative society may, subject to this Act, amend its by-laws.

(2) No amendment of the by-laws of a cooperative society shall be valid until the amendment has been registered and approved under this Act.

(3) If the Directorate is satisfied that any amendment of the by-laws of the co-operative society is not contrary to this Act, it may register the amendment.

(4) The directorate may reject registration of the amendment if it is satisfied that—

- (a) an amendment under this section was effected pursuant to misrepresentation; or
- (b) concealment of a material fact by the person applying for registration.

(5) An amendment which changes the name of a co-operative society shall not affect any right or obligation of that society or any of its members, and any legal proceedings pending may be continued by or against the society under its new name.

Fines for violation of by-laws

28. (1) The by-laws of a co-operative society may, subject to this Act provide for the imposition of fines, not exceeding twenty thousand shillings, on its members for any infringement of its by-laws.

(2) A fine shall not be imposed under this section upon any member until written notice of intention to impose the fine and the reason therefore has been served on him and he has had an opportunity of showing cause why the fine should not be imposed and, if he so desires, of being heard with or without witnesses

(3) Any such fine shall be a civil debt due to the co-operative society, and shall, without prejudice to any other means of recovery, be recoverable summarily.

(4) The whole or any part of such fine may be set off against any moneys due to such member in respect of produce delivered by him to the co-operative society.

(5) A member shall not be taken to have infringed the by-laws of a co-operative society by reason of him having failed to deliver produce to such society, if the failure was due to the fact, before becoming a member of the society, he had contracted to deliver such produce to some other person, and the contract had been disclosed in accordance to subsection (6).

(6) It shall be the duty of every person applying for membership of a registered society to disclose to the society particulars of all such contracts as are mentioned in subsection (5).

Keeping of copy of the Act and by-laws

29. (1) Every co-operative society shall keep at its registered office—

- (a) a copy of this Act and of the rules made there under;
- (b) its own by-laws; and
- (c) a list of its members excluding details of nominees and shareholdings.

(2) The Co-operative society shall keep documents referred under subsection (1) open for inspection by any person at all reasonable times during business hours.

(3) The Co-operative Society shall not charge any fee for inspections of the documents referred under this section unless in circumstances where a person request to be given a copy of any of the documents to carry away from the office.

PART V—RIGHTS AND LIABILITIES OF MEMBERS

Qualification for membership

30. (1) A person shall not be qualified for membership of a co-operative society unless that person—

- (a) has attained the age of eighteen years;
- (b) is in employment, occupation or profession falls within the category or description of those for which the co-operative society is formed; and
- (c) is a resident within, or occupies land within, the society's area of operation as described in the relevant by-law.

(2) Notwithstanding subsection (1) (c), a person may qualify to be a member of a co-operative society where he resides in the society's area or not if residence in a specific location is not a core criteria for one joining membership of such a society.

(3) Notwithstanding subsection (1) (b), a person may qualify to be a member of a cooperative society where his occupation or profession does not fall within the category or description of those for which the co-operative society is formed if the Co-operative society in its by-laws approves such membership.

Membership subject to authorization by annual general meeting

31. No company incorporated or registered under the companies Act, and no unincorporated body of persons shall be entitled to become member of a co-operative society, except with a written authorization through a resolution by a general meeting of that co-operative society.

Limitation of holding share capital

32. A member, other than a co-operative society, shall not hold more than one-fifth of the issued and paid-up share capital of any co-operative society.

Limitation of membership to one society

33. (1) A person shall not be a member of more than one co-operative society having the same or similar objectives.

(2) Notwithstanding subsection (1), a person who—

- (a) is a member of a co-operative society; and
- (b) carries on business on land or at premises outside the area of operation of that co-operative society, may be a member of a co-operative society in whose area of operation that land or those

premises are situate, notwithstanding that its objects are the same as or similar to those of the first-mentioned society.

Transfer of shares

34. (1) The transfer or charge of the share or interest of a member in the capital of a co-operative society shall be subject to such conditions as to maximum holding as are laid down in section 34.

(2) In the case of a cooperative society registered with unlimited liability, a member shall not transfer or charge any share held by him or his interest in the capital of the society or any part thereof, unless—

- (a) he has held such share or interest for at least one year, and
- (b) The transfer or charge is in favor of the society or a member of the society.

(3) Subject to the approval of the Committee, a member may transfer his share or her shares in a co-operative society to any other member of the society or to any person whose membership of the society has been approved by the Committee.

(4) A transfer of a share in a co-operative society shall not be valid and effective until such transfer has been recorded in the register of the society.

(5) A transfer of a share or shares in a co-operative society shall not be valid and effective if made by a member indebted to a society whether such debt is due for payment or not.

Rights of members

35. A member of a co-operative society is entitled to the following rights—

- (a) to have their name and signature entered in the Register of Members;
- (b) to vote and be voted for at meetings – every member has one vote regardless of the number of shares they own;
- (c) to be issued share certificates once they have paid for their shares;
- (d) to be considered for leadership positions;
- (e) to call meetings in accordance with by-laws;
- (f) to nominate a successor;
- (g) to be informed on all affairs of the society and be able to inspect society documents;

- (h) to participate in making society by-laws;
- (i) to withdraw their membership; and
- (j) To institute an inquiry into the affairs of the society.

Voting rights of members

36. (1) Each member of a co-operative society shall have one vote irrespective of the number of shares the member holds.

(2) Notwithstanding subsection (1), members of a co-operative society whose membership consists of co-operative societies only, may have as many votes as may be prescribed under the by-laws of such co-operative society

Member's obligations

37. A member of a co-operative society shall have the obligation to—

- (a) observe and comply with all the society by-laws and decisions taken by the relevant organs of the co-operative society in accordance with the by-laws of that society;
- (b) buy and pay up for shares or make any other payments provided for in the by-laws of the society;
- (c) meet the debts of the society in case of bankruptcy in accordance with the provisions of this Act and the by-laws of the society.

Conditions for exercising rights

38. No member of a co-operative society shall exercise any of the rights of a member unless he has—

- (a) made such payments to the society in respect of the membership; or
- (b) has acquired such interest in the society as may be prescribed under this Act or under the by-laws of the society.

PART IV—DUTIES OF CO-OPERATIVE SOCIETIES

Registered address of a Cooperative Society

39. Every cooperative society shall have a registered address to which notices and communications may be sent and shall send to the Director notice of every change of address within one month of the change.

Records to be Kept

40. A co-operative society shall keep—

- (a) a register of members showing in respect of each member—
 - (i) the name, age, date of application for membership, postal address and occupation;
 - (ii) the date he was admitted to the membership;
 - (iii) the date on which he ceased to be a member;
 - (iv) the appointment if any of his nominees in accordance with this Act;
- (b) a minute book giving details of the proceedings at general meeting;
- (c) a cash book showing details of all money received and expended or paid out in any way by the society;
- (d) ledgers containing such accounts as are necessary to properly record the transactions of the business;
- (e) a personal ledger showing transactions of any member with the society including details of produce delivered to the society by each member and the payment made thereof;
- (f) an assets register;
- (g) a stock controls register;
- (h) a register of charges showing in respect of every charge created by the society the amount of the charge and the person entitled thereto;
- (i) a register of loans to members showing in respect of each loan the name of the borrower, the amount borrowed, the purpose of the loan, the due date of repayment, and the date the repayment is made;
- (j) a ledger showing deposits and withdrawals by members; and
- (k) such other books as the committee may decide or the Executive member may prescribe.

Estimates of income and expenditure

41. For each financial year, the committee of a co-operative society shall cause to be prepared estimates of the society's income and expenditure including recurrent and capital estimates for approval by the general meeting.

Account and audit

42. (1) Every co-operative society shall keep proper accounts which—

- (a) shall be prepared in accordance with International Accounting Standards;
- (b) reflect the true and fair state of the co-operative society's affairs; and
- (c) explain the co-operative society's transactions including—
 - (i) all sums of money received and paid by the co-operative society and the reasons thereto;
 - (ii) all sales and purchases of goods and services by the co-operative society; and
 - (iii) all assets and liabilities of the co-operative society.

(2) The books of accounts shall be kept at the registered office of the co-operative society or at such other place as may be determined by the co-operative society and shall at all times be available for inspection by any member or members of its supervisory committee and the auditor.

(3) It shall be the duty of every co-operative society to cause its accounts to be audited at least once in every financial year by a qualified audit firm as may be prescribed.

(4) The accounts referred to in subsection (3) shall—

- (a) Conform with International Financial Reporting Standards;
- (b) Include the following records—
 - (i) a balance sheet;
 - (ii) an income and expenditure account;
 - (iii) a cash flow statement;
 - (c) be approved by the committee; and
 - (d) be authenticated by at least three committee members including the Chairman of the co-operative society.

(5) The auditor shall be appointed at the annual general meeting from a list of auditors approved by the Director, in consultation with the Institute of Certified Public Accountants of Kenya.

(6) Where at an annual general meeting no auditor is appointed, the Director may appoint a person to fill the vacancy and the remuneration of the person so appointed shall be borne by the co-operative society.

(7) An auditor shall not present the audited accounts of a co-operative society to the members at a general meeting unless the accounts have previously been submitted to the Director in such form as may be prescribed.

(8) An auditor shall submit the audited accounts to a general meeting within four months after the end of the financial year period and shall include his opinion as to whether or not the co-operative society's business has been conducted—

- (a) in accordance with the provisions of this Act and, whether the books of accounts kept by the co-operative society are in agreement therewith and give a true and fair view of the state of the affairs of the society; and
 - (b) in accordance with the co-operative society's objectives, by-laws and any other resolutions made by the society at a general meeting.
- (9) The auditor shall have the right to—
- (a) attend any general meeting of the co-operative society and be heard on any matter which concerns him as an auditor;
 - (b) receive all notices and other communications relating to any general meeting which a member of the co-operative society is entitled to receive;
 - (c) access, at all times, any accounting records, books or documents of the co-operative society as may be necessary for the purpose of carrying out his duties as an auditor and may at the time of his audit—
 - (i) summon any officer, agent or member of the co-operative society for the purpose of obtaining information on the transactions of the co-operative society or management of its affairs;
 - (ii) require the production of any book, document, cash or securities relating or belonging to the co-operative society by any officer, agent, trustee or member having custody of such book, document, cash or securities;
 - (iii) demand such other information or explanation from any officer of the co-operative society as may be necessary for the performance of his duties as an auditor.

(10) A co-operative society shall, at such time and in such form as may be prescribed, file with the Director an annual return together with a certified true copy of the audited accounts and balance sheet of the society

for each period of twelve months.

(11) Where a co-operative society fails to cause its accounts to be audited within the prescribed period in respect of its business for the previous financial year, members of the Committee shall automatically lose their positions at the next general meeting and shall not be eligible for re-election for three years unless the Director is satisfied that the failure was due to circumstances beyond their control.

(12) For the purposes of this section, "International Accounting Standards" and "International Financial Reporting Standards" means the standards adopted by the Institute of Certified Public Accountants of Kenya.

Approval of auditors

43. (1) A person qualified under the Accountants Act and who wishes to be considered to audit co-operative societies shall make an application in writing to the Director and shall pay the prescribed application fee of three thousand Kenya shillings and such application may be made annually.

(2) The Director shall cause the list of auditors approved to audit co-operative societies to be published in the County Gazette.

Production of books and other documents

44. An officer, agent, servant or member of a co-operative society who is required by the Director, or by a person authorized in writing by the Director shall, at such place and time as the Director may direct, produce all moneys, securities, books, accounts and documents belonging to or relating to the affairs of such society which are in the custody of such officer, agent, servant or member.

Audit by Directorate

45. (1) The directorate shall conduct annual audit of a co-operative society's governance, financial and management systems.

(2) The co-operative society shall provide any information as the directorate may require in order to enable it carry out its audit.

(3) The Directorate shall prepare the audit report and shall submit copies of the report to the executive member and to the management committee of the respective co-operative society.

(4) The directorate may in the audit report prepared under subsection (3) recommend measures to be adopted by the cooperative society.

(5) The co-operative society shall adopt the measures recommended under subsection (4).

(6) A co-operative society that fails to comply commits an offence.

(7) Notwithstanding subsection (1), the directorate may require a co-operative society to make reports as may be prescribed in order to ensure that a co-operative society is in compliance with this Act.

PART VII—GOVERNANCE OF CO-OPERATIVE SOCIETIES

General meetings

46. (1) The supreme Authority of a co-operative society shall be vested in the general meeting at which members shall have the right to attend, participate and vote on all matters.

(2) Subject to subsection (3) a co-operative society shall hold an annual general meeting within four months after the end of each financial year.

(3) In the first year after registration of a co-operative society, the general meeting shall be held not later than one month after receipt of the certificate of registration of the co-operative society and during such meeting the members shall—

- (a) elect the cooperative society's office bearers for the ensuing year;
- (b) determine the maximum borrowing powers of the co-operative society;
- (c) consider and approve estimates of income and expenditure for the ensuing financial year or part thereof;
- (d) appoint the co-operative society's bankers and auditors; and
- (e) receive reports and decide upon such other matters as may be necessary for the conduct of the co-operative society's business.

(4) A general meeting of a co-operative society shall be convened by giving at least fifteen days written notice to the members.

(5) At the annual general meeting of a co-operative society, the members shall—

- (a) consider and confirm the minutes of the last general meeting;
- (b) consider any reports of the Committee or the Director;
- (c) consider and adopt audited accounts;
- (d) determine the manner in which any available surplus is to be distributed or invested;
- (e) elect the cooperative society's office bearers for the ensuing year as provided in the society's by-laws;

(f) determine, where necessary, the maximum borrowing power of the society;

(g) appoint an auditor for the following year; and

(h) transact any other general business of the co-operative society of which notice has been given to members in the manner prescribed in the by-laws.

(6) a special general meeting of a co-operative society may be convened—

(a) by the Committee for the purpose of approving annual estimates or discussing any urgent matter which in the Committee's opinion is in the interest of the co-operative society; or

(b) on receipt of a written notice for such meeting signed by such number of the members of the co-operative society as may be prescribed in the by-laws and stating the objects and reasons for calling the meeting

(5) If the Committee fails to convene a meeting within fifteen days of receiving the notice under subsection (6)(b), the members demanding the meeting may themselves convene the meeting by giving notice to the other members of the co-operative society, stating the objects and reasons for the meeting and the fact that the Committee has failed to convene the meeting

(6) The Director may convene a special general meeting of a society at which he may direct the matters to be discussed at the meeting

(7) The chairman or in his absence the vice-chairman or such other person as may be prescribed in the by-laws of the co-operative society shall preside at a general meeting of a co-operative society.

(8) The Director may preside at any meeting convened under subsection (8).

(9) The by-laws shall provide for other matters related to the general meetings such as—

- (a) Quorum;
- (b) Voting;
- (c) Resolution.

Membership and powers of the committee

47. (1) Every cooperative society shall have a Committee consisting of not less than five and not more than nine members.

(2) The members of the committee shall elect the chairman, vice chairman. Hon secretary and Treasurer from among their number.

(3) The Committee shall be the governing body of the society and shall, subject to any direction from a general meeting or the by-laws of the co-operative society, direct the affairs of the co-operative society with powers to—

- (a) enter into contracts;
 - (b) institute and defend suits and other legal proceedings brought in the name of or against the co-operative society; and
 - (c) do all other things necessary to achieve the objects of the co-operative society in accordance with its by-laws.
- (4) A person shall not be a member of a Committee if he—
- (a) is not a member of the co-operative society;
 - (b) is under eighteen years of age;
 - (c) is unable to read and write;
 - (d) receives any remuneration, salary or other payment from the co-operative society save in accordance with this Act;
 - (e) is a committee member in two other co-operative societies;
 - (f) being a member of a co-operative society that lends money to its members, lends money on his own account;
 - (g) being a member of a co-operative society which trades in goods or produce, trades either on his own account or some other person's account in the same type of goods or produce;
 - (h) has not, within thirty days of being appointed, declared his wealth to the Director in the prescribed manner;
 - (i) is an undercharged bankrupt;
 - (j) is of unsound mind;
 - (k) has been adversely named by the Director in an inquiry report adopted by a general meeting for mismanagement or corrupt practices while a member of the Committee;
 - (l) has been convicted of any offence involving dishonesty or is sentenced to imprisonment for a term exceeding three months;
 - (m) has been convicted of any offence under this Act or regulations made there under;

(n) has any un cleared debt owing to a co-operative society at the end of its financial year other than in respect of a loan under the provision of any rules made under this Act ;

(o) is a person against whom any amount of money is due under a decree, decision or order or is pending recovery under this Act .

(5) The Committee may delegate any of its duties under this Act to an officer or officers of the co-operative society, provided that the committee shall not be absolved from its responsibility to run the affairs of the cooperative society in a proper and businesslike manner.

(6) A member of the management committee shall hold office for a period of three years and shall be eligible for re-election for a further and final term of three years, after which the person shall not be eligible for election to the committee before the expiration of three years'.

(7) In the conduct of the affairs of a co-operative society the Committee shall exercise the prudence and diligence of ordinary men of business and the members shall be held, jointly and severally liable for any losses sustained through any of their acts which are contrary to the Act, regulations, by-laws or the directions of any general meeting of the co-operative society.

(8) The Committee may suspend from duty any Committee member charged in a court of law with an offence involving fraud or dishonesty pending the determination of the matter.

PART VIII — AMALGAMATION AND DIVISION OF CO-OPERATIVE SOCIETIES

Amalgamation of co-operative societies

48. (1) Any two or more co-operative societies hereinafter referred to as amalgamating societies may, by special resolution, in this section referred to as the preliminary resolution, resolve to amalgamate as a single society hereinafter referred to as the amalgamated society.

(2) A copy of the preliminary resolution shall be sent to all the members and creditors of each of the amalgamating societies, and to all other persons whose interests in any of the amalgamating societies will be affected by the Amalgamation.

(3) A member of any of the amalgamating societies may, notwithstanding any by-law to the contrary, by notice in writing given to his society at least one month before the date specified as the date of amalgamation, intimate his intention not to become a member of the amalgamated society.

(4) A creditor of any of the amalgamating societies may, notwithstanding any agreement to the contrary, by notice in writing given to such society at least one month before the date specified as the date of amalgamation, intimate his intention to demand the payment of any money due to him.

(5) A person whose interest will be affected by the amalgamation may, by notice in writing given to the concerned amalgamating society, not less than one month before the date specified as the date of amalgamation, object to the amalgamation unless his claim is satisfied.

(6) Not less than three months after the date of the meeting at which the preliminary resolution is passed, a further special general meeting of each of the amalgamating societies shall be held to consider the preliminary resolution and any notices received under this section.

(7) At the special general meeting held under subsection (6) provision shall be made by a further resolution of the society (in this section referred to as the secondary resolution) for—

- (a) the repayment of the share capital of any member who has given notice under subsection (3);
- (b) the satisfaction of any claims by creditors who have given notice under subsection (4); and
- (c) The satisfaction of the claims of such other persons who have given notice under subsection (5) securing of their claims in such manner as determined or directed by the Director.

Provided that no member or creditor or other person shall be entitled to such repayment or satisfaction until the preliminary resolution is confirmed as provided in subsection (8).

(8) Each amalgamating society may, by further resolution passed by a two thirds majority of the members present and voting, confirm the preliminary resolution.

(9) If, within such time as the Director considers reasonable, he is satisfied that the secondary resolutions of each of the societies amalgamating complies with the provision of this section, he may register the amalgamated society and its by-laws and thereupon.

(10) Upon the registration of the amalgamated society—

- (a) each of the amalgamating societies shall stand dissolved and its registration cancelled;
- (b) the registration of the amalgamated society shall be a sufficient

conveyance to vest the assets and liabilities of the amalgamating societies in the amalgamated society;

- (c) the remaining members of the amalgamating societies shall become members of the amalgamated society and will be subjected to its by-laws.
- (d) any share holders of the amalgamating societies or any other persons who have claims against the amalgamating societies; and
- (e) whose claims were not satisfied in accordance with the secondary resolution, may pursue such claims against the amalgamated society

(11) Where the Director refuses the amalgamation of the amalgamating societies under subsection (10) such societies may within thirty days appeal against such refusal to the Executive Committee Member.

Division of co-operative societies

49. (1) A co-operative society (hereinafter referred to as the existing society may, by special resolution (in this section referred to as the preliminary resolution,) resolve to divide itself into two or more co-operative societies (hereinafter referred to as the new societies).

(2) The preliminary resolution shall contain proposals for the division of assets and liabilities of the existing society among the new societies in which it is proposed to be divided and may prescribe the area of operation of, and specify the members who will constitute each of the new societies.

(3) A copy of the preliminary resolution shall be sent to all the members and creditors of the existing society, and to all other persons whose interests will be affected by the division of the existing society.

(4) Any member of the existing society may, notwithstanding any by-law to the contrary, by notice in writing given to the society within two months of the receipt of the copy of the preliminary resolution, intimate his intention not to become a member of any of the new societies.

(5) Any creditor of the existing society may, notwithstanding any agreement to the contrary, by notice in writing given to the existing society within two months after his receipt of the copy of the preliminary resolution, intimate his intention to demand the payment of any money due to him.

(6) Any other person whose interest will be affected by the division may, by notice in writing given to the existing society within two months of the receipt of the preliminary resolution, object to the division.

(7) After the expiry of three months after the date of the preliminary resolution, a further special general meeting of the existing society shall be held to consider the preliminary resolution and any notices received under this section.

(8) At the special general meeting held under this Act provision shall be made by a further resolution of the society for—

- (a) the repayment of the share capital of any member who has given notice under subsection (4);
 - (b) the satisfaction of any claims by creditors who have given notice under subsection (5);
 - (c) the satisfaction of the claims of such other persons who have given notice under subsection (6) or the securing of their claims as the Directorate may determine, or direct.
- (9) The society may, by further resolution passed by a two-thirds majority of the members present and voting, confirm the preliminary resolution, with or without changes as in the opinion of the Director are not substantial, and the decision of the Director as to whether any changes are or are not substantial shall be final.

(10) If, the Director is satisfied within such time as he considers reasonable that the provisions of the secondary resolution and the provisions of this section have been complied with, he may, register the societies into which the existing society has been divided and the by-laws of such societies and thereupon—

- (a) the registration of the existing society shall stand dissolved;
- (b) the registration of the new societies shall be sufficient to vest the assets and liabilities of the existing society in the new societies in the manner specified in the preliminary resolution, as confirmed;
- (c) the remaining members of the existing society shall become members of one or other of the new societies, as is provided by the preliminary resolution, as confirmed; and
- (d) Any shareholders or creditors of the existing society and any other persons who have claims against the existing society and whose claims were not satisfied in accordance with the secondary resolution may pursue such claims against one or other of the new societies, as is provided by the preliminary resolution, as confirmed.

(11) Where the Director refuses to approve the division of an existing

society, the society may appeal to the Executive Committee Member within thirty days of the communication to it of the refusal.

(12) A party aggrieved by the decision of the Executive Committee Member may appeal to the High Court within thirty days.

PART IX—RIGHTS AND OBLIGATIONS OF CO-OPERATIVE SOCIETIES

Society to have charge over member's produce

50. (1) A co-operative society which has as one of its objects the sale and marketing of any agricultural produce, may enter into a contract with its members, either in its bylaws or by a separate document binding the members to dispose process, market or sell all their agricultural produce, or such amounts or descriptions of the same as may be stated therein, to or through the society.

(2) The contract referred to under subsection (1) may—

- (a) bind the members to produce the quantities of agricultural produce therein specified;
 - (b) provide for payment of a specific sum per unit of weight or other measure as liquidated damages for any breach of the contract.
- (3) The sum referred under subsection (2) shall on becoming payable—
- (a) be a debt due to the society; and
 - (b) be a charge upon the immovable property of the member subject to registration of the charge under the law under which the property is registered and all stock then being thereon.

(4) Any such contract as is mentioned in subsection (1) shall have the effect of creating in favor of the co-operative society a charge upon the proceeds of sale of all produce mentioned therein, whether existing or future.

(5) A co-operative society may, on the authority of a resolution passed in general meeting, pledge the produce deliverable by members under any such contract as is mentioned in subsection (1) as security for loans made to the society, in all respects as if it were the owner of the produce.

(6) No contract entered into under this section shall be contested in any court on the ground that it constitutes a contract in restraint of trade.

Society to have first charge over debts, assets, etc. in certain cases

51. (1) Subject to any other written law as to priority of debts where a co-operative society has—

- (a) supplied to any member or past member any seeds or manure, or any animals, feeding stuff, agricultural or industrial implements or machinery or materials for manufacture or building;
- (b) rendered any services to any member or past member; or
- (c) lent money to any member or past member to enable him to buy any such things as aforesaid or to obtain any such services, the society shall have a first charge upon such things or, as the case may be, upon any agricultural produce, animals or articles produced therewith or there from or with the aid of such money.

(2) The charge shall subsist for such period as the loan or value of the services rendered by a co-operative society to a member shall remain unpaid.

Society to have first charge over members' share

52. A co-operative society shall have a first charge upon the share or interest in the capital and on the deposits of a member or past member, and upon any dividend, bonus or accumulated funds payable to a member or past member, in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to such member, or past member in or towards the payment of any such debt.

Failure to remit the sum deducted

53. (1) Where an employer of a person who is a member of a co-operative society has, under the instructions of the employee, made a deduction from the employee's emoluments for remittance to the co-operative society concerned but fails to remit the deductions within seven days after the date upon which the deduction was made, the employer shall be liable to pay the sum deducted together with compound interest thereon at a rate of not less than five per cent per month.

(2) The Director may, on behalf of the society, institute legal proceedings in court for recovery of the sum owing under subsection (1) without prejudice to any other mode of recovery and such sum shall be a civil debt recoverable summarily.

(3) The Director may, by written notice, appoint any person, bank or institution to be an agent of the society for the purposes of collection and recovery of a debt owed to the society.

(4) The agent shall pay the amount specified in the notice issued under subsection (3) out of any moneys which may, at any time during the twelve months following the date of the notice, be held by him for the employer or are due from him to the employer.

(5) Where an agent claims to be or to have become unable to comply with subsection (3) by reason of lack of moneys held by or due from him, he shall give a written notification to the Director stating the reasons for his inability and the Director may—

- (a) accept the notification and cancel or amend the notice accordingly; or
- (b) if he is not satisfied with the reasons, reject the notification in writing.

(6) Where an agent fails to notify the Director or the notification is rejected, it shall be presumed that the agent has sufficient moneys for the payment of the amount specified in the notice.

(7) Where an agent fails to pay the amount specified in the notice within thirty days from the date of service or the date on which any moneys come into his hands for or become due to him from the employer, the agent shall be liable for the amount specified in the notification as if he were the employer.

(8) In any proceedings for the collection or recovery of the amount specified in the notice, it shall not be a defense for the agent to claim lack of the moneys.

(9) This section shall apply notwithstanding that the failure under subsection (1), to remit the sum deducted may constitute an offence under some other law for which the employer has been prosecuted, or is being, or is likely to be prosecuted.

(10) In this section "employer" includes any person, firm or organization holding remuneration or payment for produce of a member of a co-operative society and the term "employee" includes any person who receives remuneration or payment for produce from such persons or firm or organization.

Member's share not subject to attachment

54. The shares or interest of a member in the capital of a co-operative society shall not be liable to attachment or sale under any decree or order of a court in respect of any debt or liability incurred by such member, and a trustee in bankruptcy under the law relating to bankruptcy shall not have any claim on such share or interest.

Provided that, where a co-operative society is dissolved, the share or interest of any member who is adjudged a bankrupt under such law shall vest in the trustee in bankruptcy in accordance with such law.

Liability of past members

55. The liability of a past member of a co-operative society shall be in respect of the debts of the society as they existed at the date when he ceased to be a member and proceedings in respect thereof may be commenced within a period of two years from such date:

Provided that, in the case of a co-operative society with limited liability, if the first audit of the accounts of such society after his ceasing to be a member discloses that the society is solvent, the financial liability of such past member shall cease forthwith.

Liability of deceased members

56. The estate of a deceased member shall be liable for the debts of the co-operative society as they existed at the time of his death, and proceedings in respect thereof may be commenced within one year of the death:

Provided that—

- (i) in the case of a cooperative society with limited liability, if the first audit of the accounts of the society after the death discloses a credit balance in favor of the society, the financial liability of the estate shall cease forthwith; and
- (ii) a personal representative shall not be liable except in respect of assets in his possession or under his control.

Transfer of share or interest of deceased members.

57. (1) On the death of a member, a co-operative society may transfer the share or interest of the deceased member to—

- (a) the person nominated in accordance with this Act; or
- (b) if there is no person so nominated, such person as may appear to the Committee of the society to be the personal representative of the deceased member; or
- (c) if either of such persons is not qualified under this Act or the by-laws of such society for membership, such person, specified by the nominee or personal representative, as the case may be, who is so qualified, or may pay to such nominee or personal representative, as the case may be, a sum representing the value of such member's share or interest ascertained in accordance with any rules made under this Act or by-laws of the society:

Provided that—

- (i) in the case of a cooperative society with unlimited liability, such nominee or personal representative, as the case may be, may require the society to pay him the value of the share or interest of the deceased member ascertained in the manner mentioned in this subsection; or
- (j) in the case of a cooperative society with limited liability, the society shall transfer the share or interest of the deceased member to such nominee or personal representative, as the case may be, being qualified in accordance with this Act or the by-laws of such society for membership of the society, or on his application within one month of the death, to any person specified in the application, who is so qualified.

(2) A co-operative society shall pay all other moneys due to the deceased member from the society to such nominee or personal representative, as the case may be.

(3) All transfers and payments made by a co-operative society in accordance with this section shall be valid and effectual against any demand made upon the society by any other person.

Evidence of member's interest in society

58. (1) Any register or list of members or of shares which is kept by a co-operative society shall be prima facie evidence of any of the following particulars entered therein—

- (a) the date on which the name of any person was entered in such register or list, as a member;
- (b) the date on which any such person ceased to be a member; and
- (c) The number of shares held by any member.

(2) A copy of any entry in a book of a co-operative society regularly kept in the course of its business, shall, if certified in accordance with the rules made under this Act, be prima facie evidence in any proceedings of the existence of such entry, and of the matters, transactions, and accounts, therein recorded.

Restriction on production of society's books

59. No officer of a co-operative society shall in any legal proceedings the society or liquidator is not a party may be compelled to produce any of the society's books where the contents can be proved under section 58 or to appear as a witness to prove the matters,

transactions, and accounts therein recorded, unless the court, for special cause, otherwise orders.

PART X—PROPERTY AND FUNDS OF CO-OPERATIVE SOCIETIES

Application of society's property and funds

60. The property and funds of a co-operative society shall only be applied for the benefit of the society and, its members, in accordance with the provisions of this Act, the regulations made hereunder and the by-laws of the society

Procurement and disposal of assets rules

61. (1) A co-operative society shall establish procurement and disposal of assets rules as may be prescribed.

(2) A co-operative society shall not procure or dispose any asset unless in accordance with the rules established under subsection (1).

Loans

62. No loan shall be made to a member of a cooperative society save in accordance with the conditions laid down for the making of such loans in the society's by-laws.

Restriction on giving loans

63. A co-operative society shall not give a loan nor allow any credit to person other than a member, unless the by-laws of the society provide for giving a loan subject to a resolution passed at the general meeting of the society to that effect.

Restriction on borrowing

64. (1) A co-operative society may receive deposits and loans from persons who are not members in such manner and conditions as may be prescribed.

(2) A Cooperative society other than a society with authorization to operate front office services may receive deposits and loans from person who are not members under subsection (1) if—

- (a) the general meeting is satisfied that the society needs the deposit or loan;
- (b) the general meeting is satisfied that the terms of the deposit or loan and the rate of interests are reasonable;
- (c) repayments of the deposit or loan is secured to the satisfaction of the general meeting;

- (d) the maximum liability fixed under section 65 is not exceeded; and
- (e) the general meeting has given specific approval for the deposit or loan.

Limitation of borrowing powers

65. (1) A co-operative society which under its by-laws has power to borrow money shall from time to time at a general meeting fix the maximum liability which it may incur in loans or deposits from non-members.

(2) The maximum liabilities fixed shall be subject to the approval of the Director who may at any time reduce it or impose such conditions as he may deem necessary.

(3) A member of the society may appeal against the decision of the Director made under sub-rule (2) to the Executive Committee Member within thirty days of such decision.

Investment of society's funds

66. (1) A co-operative society may invest or deposit its funds only—

- (a) in and upon such investments and securities as are for the time being authorized for the investment of trust funds;
- (b) in the shares of any other co-operative society;
- (c) with any bank licensed under the Banking Act;
- (d) in the stock of any statutory body established in Kenya or in any limited liability company incorporated in Kenya or in any other manner approved by a resolution at a general meeting of the said society; or
- (e) In such other investment scheme, avenue or method as may be prescribed.

(2) Where the society invests in real estate other than for its own accommodation, it shall not hold more than twenty per cent of the equity in the investment or expend a sum exceeding twenty-five per cent of its share capital in such venture.

Declaration and payment of bonus and dividends

67. (1) Subject to this section, every co-operative society shall declare each year all bonuses due to members; but, where the bonuses are required for re-investment by the society for capital development, or for the redemption of bonus certificates, the society shall issue bonus certificates to its members in lieu of cash payments, redeemable from a revolving fund established by the society for that purpose.

(2) A co-operative society shall not pay a dividend, bonus or distribute any part of its accumulated funds without a balance sheet and audited account and report disclosing the surplus funds out of which the dividend, bonus or distribution is to be made.

(3) A co-operative society shall pay a dividend at such rate as may be recommended by the management committee and approved by the annual general meeting of the society.

Maintenance of reserve Fund

68. (1) A co-operative society which does or can derive surplus from its transactions shall maintain a reserve Fund.

(2) A co-operative society may carry to the reserve fund such portion of the net surplus in each year as may be prescribed by regulations made under this Act or by the by-laws of the society.

(3) The reserve fund shall be invested in the manner as may be prescribed.

(4) The reserve fund set up under this section shall be indivisible and no member shall be entitled to claim a specific share of it.

(5) The reserve fund shall be kept in separate account to be known as the reserve fund account.

(6) Upon the dissolution of a co-operative society, the assets under the reserve fund shall be applied in the discharge of the liabilities of the society.

Distribution of net balance

69. Subject to sections 67 and 68, the net balance of the year with, any sum available for distribution from previous years, may be distributed in the prescribed manner or by the by-laws of the society.

Front Office Services

70. (1) A cooperative society operating or intending to operate front office services, shall after a resolution of the general meetings apply in writing to the directorate for authorization.

(2) In considering an application for authorization made in subsection (1), the directorate shall take into account the—

- (a) location of the front office;
- (b) minimum capital (capital base) of the society;
- (c) risk management systems;

(d) size of membership;

(e) human resources;

(f) security;

(g) liability; and

(h) such other factors as may be necessary.

(3) A co-operative society operating front office services shall—

(a) maintain a minimum liquidity at ten percent of the deposits;

(b) maintain a minimum capital adequacy and reserves at ten percent of its total liability;

(c) maintain such other prudential standard as may be directed by the directorate in writing from time to time;

(d) make provisions for bad and doubtful debts before any surplus is declared;

(e) ensure that the provision for bad and doubtful debts made under paragraph (a) of this sub rule complies with the guidelines as may be prescribed.

(4) The Directorate may—

(a) require a cooperative society to submit statistics regularly; and

(b) collect such data and other information as may be necessary for the protection of member's funds.

Inspection of front office

71. (1) The directorate may of his own accord, and shall on the so directing of the Executive Member, cause a front office operation to be inspected by any person authorized by him in writing, on any cooperative society and of its books, accounts and records.

(2) When an inspection is made under subsection (1) the co-operative society and every officer and employee thereof shall produce all the books, accounts, records and other documents of the co-operative society and such correspondence, statements and information relating to the society, its business and the conduct thereof as the person making the inspection may in writing require.

(3) All information obtained in the course of the inspection shall be treated as confidential and used solely for the purposes of this Act.

(4) The person carrying out an inspection shall submit his report to the directorate; and the report shall draw attention to any breach or non

observance of the requirements of this act, made there under and irregularity in the manner of conduct of the business of the cooperative society inspected any apparent mismanagement of the business or lack of management skills in that society and any matter revealed or discovered in the course of the inspection warranting, in the opinion of the person making the inspection, remedial action or further investigation.

PART XI—CHARGES BY CO-OPERATIVE SOCIETIES

Creating charge over society's property

72. A co-operative society may from time to time, charge the whole or any part of its property, if its by-laws expressly empower it to do so, subject to a special resolution by the general meeting.

Charge to comply with applicable law

73. A charge created by a co-operative society in accordance with section 52 of this Act shall comply with the provisions of the law applicable to the particular type of charge.

Charges to be registered with the Director

74. (1) It shall be the duty of every co-operative society to register with the Director, every charge created by it and the particulars thereof.

(2) The registration of a charge under subsection (1) may be effected on the application of any interested person.

(3) Where registration is effected on the application of a person other than the co-operative society, such person shall be entitled to recover from the co-operative society the amount of any fees properly paid by him to the Director for such registration.

(4) If any co-operative society fails to register a charge with the Director within thirty days of creation of such a charge, and the registration has been effected by some other person within that period, the members of the Committee commits an offence and shall be liable to a fine not exceeding two thousand shillings for every day during which the default continues.

Register of charges

75. (1) The Director shall, with respect to each co-operative society, register in such form as may be prescribed all charges requiring registration and shall enter in the register, with respect to every charge, the following particulars—

- (a) if the charge is a charge created by the society, the date of its creation, and if the charge was a charge existing on property;

- (b) property acquired by the society, the date of the acquisition of the property;
- (c) the amount secured by the charge;
- (d) short particulars of the property charged; and
- (e) The persons entitled to the charge.

(2) The Director shall issue a certificate of the registration of any charge registered under this Act stating the amount secured and the certificates shall be conclusive evidence that the requirements of this Act as to registration of charges have been complied with.

(3) The register kept in pursuance of this section shall be open for inspection by any interested person on payment of the prescribed fee.

(4) The Director shall keep a chronological index in the prescribed form and containing the prescribed particulars, of the charges entered in the register.

Certificate of satisfaction of charges

76. The Director may, on evidence being given to his satisfaction that the debt for which any registered charge was given has been paid or satisfied, order that a memorandum of satisfaction be entered on the register, and shall if required, furnish the co-operative society concerned with a copy thereof.

Receiver to give notice of his appointment

77. (1) If any person obtains an order for the appointment of receiver or manager of the property of a co-operative society, or if the Director appoints such a receiver or manager under any powers contained in any instruments, he shall, within seven days from the date of the order of the appointment under the said powers, give written notice of the fact to the Director and the Director shall enter the notice in the register of charges.

(2) Where any person appointed receiver or manager of the property of a co-operative society under the powers contained in any instrument ceases to act as such receiver or manager, he shall, on so ceasing, give written notice of the fact to the Director and the Director shall enter the notice in the register of charges.

(3) If any person makes default in complying with the requirements of this section, he shall be guilty of an offence and shall be liable to a fine not exceeding two thousand shillings for every day during which the default continues.

Keeping of instruments of charge

78. Every co-operative society shall cause a copy of every instrument of a charge which is required by this Act to be registered, to be kept at the registered address of the society.

Keeping of register of particulars of charges

79. (1) Every co-operative society shall keep, at the registered office of the society, a register of charges in which shall be entered all charges specifically affecting the property of the society and all floating charges on the property or assets of the society, giving in each case a short description of the property charged, the amount of the charge, and the name of the person entitled thereto.

(2) If any officer of a co-operative society knowingly omits, or permits the omission of, any entry required to be made in any register in pursuance of this section, he shall be guilty of an offence and shall be liable to a fine not exceeding five hundred thousand shillings.

Right of members and creditors to inspect register of charges

80. (1) The copies of the instruments creating charges which are required by this Act to be registered and the register of charges kept by the co-operative society shall be open, during business hours, to inspection by any creditor or member of the society, without fee, subject to such reasonable restrictions as the society, in general meeting, may impose:

Provided however that not more than two hours in each day shall be allowed for inspection, and the register of charges shall also be open for inspection by any other person on payment of the prescribed fee.

(2) Any officer of a co-operative society who—

- (a) refuses to allow inspection of the register of charges or copies of the instruments creating charges in accordance with subsection (1); or
- (b) permits such refusal, is guilty of an offence and shall on conviction be liable to a fine not exceeding two million shillings.

PART XII—INQUIRY AND INSPECTION**Inquiry by the Directorate**

81. (1) The Director may on his own accord hold an inquiry or in writing, direct any person to hold an inquiry—

- (a) on the direction of the County Executive Member; or

(b) on the application of not less than one-third of the members present and voting at a meeting of the society which has been duly advertised;

(c) on the application of the liquidator or of any creditor.

(2) The inquiry under subsection (1) may inquire into—

- (a) the by-laws, working and financial conditions of any Co-operative Society; or
- (b) the conduct of any person who has taken part in the organization or management of a Co-operative society, or any past or present officer or member of the society.

(3) All officers and members of the co-operative society shall produce such cash, accounts, books, documents and securities of the society, and furnish such information in regard to the affairs of the society, as the person holding the inquiry may require.

(4) The Director shall report the findings of his inquiry at a general meeting of the society and shall give directions for the implementation of the recommendations of the inquiry report

(5) Where the director is satisfied, after due inquiry, that the committee of a co-operative society is not performing its duties properly, he may dissolve and cause to be appointed an interim committee consisting of not more than five members from among the members of the society for a period not exceeding ninety days.

(6) A person found to have misapplied or retained or become liable or accountable for any money or property of the society or has been guilty of misfeasance or breach of trust in relation to the society, he may, if the director so directs, be required to repay or restore the money or property or any part thereof to the Co-operative society together with the at such rate as the Director thinks fit.

(7) This section shall apply notwithstanding that the act or default by reason of which the order is made may constitute an offence under another law for which the person has been prosecuted, or is being or is likely to be prosecuted.

Inspection of books of indebted society

82. (1) The Director may, if he deems fit, on the application of a creditor of a co-operative society, inspect, or direct some persons authorized by him in writing to inspect, the books of the society, if—

- (a) the creditor satisfies the Director that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(b) the applicant deposits with the Director such sum as security for the expenses of the inspection as the Director may require.

(2) The Director shall inform the creditor of the results of the inspection

Expenses of inquiry

83. (1) Where an inquiry is held under section 81 or an inspection is made under section 82 of this Act, the Director may, by a certificate under his hand, make an order apportioning the expenses, or such part of the expenses as he considers proper, between the society, the members or creditor demanding the inquiry or inspection, and the officers or former officers of the society.

(2) Any sum awarded by way of expenses under subsection (1) shall be a civil debt recoverable summarily on production of the certificate referred to in that subsection.

Routine inspection

84. Notwithstanding the provisions of section 81 and 82, the directorate may from time to time carry out impromptu inspection into the affairs of a co-operative society.

PART XIII — DISSOLUTION

Procedure for dissolution

85. (1) If the Director, after holding an inquiry under section 83 or making an inspection under section 84 of this Act, or receiving an application made by at least three quarters of the members of a co-operative society, is of the opinion that the society ought to be dissolved, he may, in writing, order the dissolution of the society and subsequent cancellation of registration.

(2) Any member of a co-operative society who feels aggrieved by an order under subsection (1) may, within two months after the making of such order, appeal against the order to the Executive Committee Member.

(3) Where no appeal is filed within the prescribed time, the order shall take effect on the expiry of that period, but where an appeal is filed within the prescribed time the order shall not take effect unless it is confirmed by the Executive Committee Member.

(4) Where the Director makes an order under subsection (1) he shall make such further order as he thinks fit for the custody of the books and documents and the protection of the assets of the society.

(5) A co-operative society shall not be dissolved or wound up except by an order of the Director.

Cancellation of registration

86. (1) Where a co-operative has—

- (a) less than the prescribed number of members; or
- (b) failed to file returns with the Director for a period of three years; or
- (c) failed to achieve its objects, the Director may, in writing, order the cancellation of its registration and dissolution of the society and the order shall take effect immediately.

(2) A person aggrieved by an order of the Director under subsection (1) may appeal against such order to the Executive Committee Member within thirty days of the order.

Effects of cancellation

87. Where the registration of a co-operative society is cancelled, the society shall cease to exist as a corporate body from the date the order takes effect.

Companies Act to operate

88. (1) The sections of the companies Act, 2015 specified in the schedule to the Act, shall apply with necessary modification in relation to the winding-up of a Co-operative society as they apply to that of a Company registered under that Act.

(2) The County Executive may, by order, amend the schedules to this Act.

Appointment of liquidator

89. Where the registration of a co-operative society is cancelled under this Act the Director may appoint one or more persons to be liquidator or liquidators of that society (herein after referred to as the liquidator) and all the property of such society shall vest in the liquidator from the date upon which the order of cancellation takes effect.

Powers of liquidator

90. The liquidator shall, subject to this Act, have the following powers—

- (a) to appoint a day, in the prescribed manner, before which the creditors whose claims are not already recorded in the books of the co-operative society shall state their claims for admission, or be excluded from any distribution made before they have proved them;

- (b) to institute and defend suits and other legal proceedings by, and on behalf of, the society in his own name or office;
 - (c) to appoint an advocate to assist in the performance of his duties;
 - (d) to determine from time to time the contributions to be made by the members and past members, and by the estates of deceased members of the society, to the funds of the society;
 - (e) to investigate all claims against the society, and subject to this Act, to decide questions of priority arising between claimants;
 - (f) to call such meeting of members and creditors as may be necessary for the proper conduct of the liquidation;
 - (g) to sell the movable and immovable property and rights of action of the society, by public auction or private contract with power to transfer the whole thereof to any person or company or to transfer the same in parcels;
 - (h) to carry on the business of the society as far as may be necessary for the proper liquidation of the affairs of the society;
 - (i) to determine, from time to time, by what persons and in what proportion the expenses of the liquidation are to be borne;
 - (j) to take possession of the books, documents and assets of the society;
 - (k) to arrange for the distribution of the assets of the society in a convenient manner when a scheme of distribution has been approved by the Director;
 - (l) to give such directions in regard to the disposal of the books and documents of the society as may appear to him to be necessary for winding up the affairs of the society;
 - (m) to compromise, with the approval of the Director, any claim by, or against, the society;
 - (n) to apply to the Director for his discharge from the duties of liquidator after completion of the liquidation proceedings.
- (2) The liquidator shall have power to summon and enforce the attendance of witnesses and to compel the production of documents.
- (3) The Liquidator shall cause to be undertaken a valuation of all movable and immovable property before exercising the right of sale and shall ensure that the price does not fall below twenty-five percent of the market value.

Liquidation account of societies

91. The Director shall open and administer an account, to be called the Co-operative Societies Liquidation Account, in such a bank as may be prescribed and the County executive shall prescribe the manner to which it shall be operated.

Powers of the Director during liquidation

92. The liquidator shall exercise powers under this Act under the guidance and limitations imposed by the Director, and the Director may—

- (a) rescind or vary any order made by the liquidator and make any new order he thinks proper;
- (b) Direct on timelines for and the progress reports to be submitted by the liquidator as may be prescribed;
- (c) remove the liquidator from office and appoint a new liquidator in his place;
- (d) call for all books, documents and assets of the society;
- (e) at his discretion, require accounts to be rendered to him by the liquidator;
- (f) procure the auditing of the liquidator's accounts and authorize the distribution of the assets of the society;
- (g) make an order for the remuneration of the liquidator;
- (h) grant a discharge to the liquidator on application by him after completion of the liquidation proceedings;
- (i) require any member or past member of the society and any trustee, banker, receiver, agent or officer of the society to pay, deliver, convey, surrender or transfer forthwith, or within such time as he shall direct, to the liquidator, any money, property, books or papers in his hands to which the society appears to be entitled;
- (j) appoint a special manager for the management of the business of the society and determine his remuneration and what, if any, security he shall give for the proper performance of his duties;
- (k) Require the indemnification of the liquidator.

Appeal against order of liquidator or directorate

93. A person aggrieved by a decision of the directorate or the liquidator, as the case may be, may appeal against the order or decision to Executive Committee Member within 30 days of the decision.

Institution of winding up proceedings

94. (1) If the liquidator of a society whose registration has been cancelled alleges that any of the offences under any written law have been committed, the liquidator shall report the facts to the Director.

(2) The Director shall within 7 days submit the report received under subsection (1) to the Director of Public Prosecutions.

Powers to restrain convicted Person from being officers of society

95. Any person who is convicted of an offence under this Act shall cease to be, or remain, an officer of a co-operative society, and shall cease to be concerned in or take part in, whether directly or indirectly, the management of a co-operative society, for a period of five years from the date of his conviction, and any person acting as, or purporting to be acting as such an officer, or being so concerned in, or taking part in the management of a co-operative society during that period, shall be guilty of an offence and shall be liable to imprisonment for a term not exceeding two years.

PART XIV — SURCHARGE**Power to surcharge officers of co-operative society**

96. (1) Where it appears that any person who has taken part in the organization or management of a co-operative society, or any past or present officer or member of the society—

- (a) has misapplied or retained or become liable or accountable for any money or property of the society; or
- (b) has been guilty of misfeasance or breach of trust in relation to the society, the Director may, on his own accord or on the application of the liquidator or of any creditor or member, inquire into the conduct of such person.

(2) Upon inquiry under subsection (1), the Director may, if it considers it appropriate, make an order requiring the person to repay or restore the money or property or any part thereof to the co-operative society together with interest at such rate as the Director thinks just or to contribute such sum to the assets of the society by way of compensation as the Director deems just.

(3) This section shall apply notwithstanding that the act or default by reason of which the order is made may constitute an offence under another law for which the person has been prosecuted, or is being or is likely to be prosecuted.

Appeal against order

97. Any person aggrieved by an order of the directorate under section 96 (2) may within thirty days, appeal to the Executive Committee Member.

Recovery of surcharge

98. (1) Subject to section (96), an order made pursuant to section 96 (2) for any moneys to be repaid or contributed to a co-operative society shall be filed with the tribunal and shall, without prejudice to any other mode of recovery, be a civil debt recoverable summarily.

(2) Without prejudice to the powers by the committee of a society to take action for recovery of the sum surcharged. The directorate may, on behalf of the society, institute such action.

PART XV — SETTLEMENT OF DISPUTES**Disputes**

99. (1) If any dispute concerning the business of a co-operative society arises—

- (a) among members, past members and persons claiming through members;
- (b) between members, past members or deceased members, and the society, its Committee or any officer of the society; or
- (c) between the society and any other co-operative society, it shall be referred to the Director.

(2) A dispute for the purpose of this section shall include—

- (a) a claim by a co-operative society for any debt or demand due to it from a member or past member, or from the nominee or personal representative of a deceased member, whether such debt or demand is admitted or not;
- (b) a claim by a member, past member or the nominee or personal representative of a deceased member for any debt or demand due from a co-operative society, whether such debt or demand is admitted or not; or
- (c) Representative of a deceased member, whether such debt or demand is admitted.

(3) The Director shall make every reasonable effort to settle disputes under this Act.

(4) If the Director does not resolve a dispute under this Act, the Director shall within 14 days refer the dispute to the Executive Committee Member

PART XVI—GENERAL PROVISIONS

Remuneration of officers and members of society

100. (1) An officer or member of a co-operative society shall not receive any remuneration, salary, commission or any other payment from the society for services rendered to the society unless the society has, by a resolution passed at a general meeting, approved the payment of such remuneration, salary, commission or other payment.

(2) An officer or member of a co-operative society shall not receive any remuneration, salary, commission or other payment from any person or body or association other than the society in respect of any business or transaction entered into by the society.

Provided that in special circumstances the society may, by resolution passed at a general meeting, authorize such remuneration, salary, commission or other payment to be made.

(3) Any officer or member of a co-operative society who receives any remuneration, salary, commission or other payment in contravention of this section commits an offence and shall be liable to a fine not exceeding one hundred thousand shillings or to imprisonment for a term not exceeding two years, or to both.

(4) Notwithstanding subsection (3), where the offence is the contravention of subsection (1) of this section, be ordered to repay the amount of the remuneration, salary, commission or other payment received from the society in addition to or in lieu of any other punishment, and default in such payment shall be dealt with in the same manner as default in paying a fine imposed by a court.

Restriction on use of word "Co-operative"

101. (1) A person, other than a co-operative society, shall not trade or carry on business under any name or title of which the word "Co-operative" or its equivalent in any other language is part, without the written approval of the Director.

(2) Any person who contravenes subsection (1) of this section commits an offence and shall on conviction be liable to a fine not exceeding one million thousand shillings.

Co-operative Development Fund

102. (1) There is established a Fund to be known as the County Co-operative Development Fund.

(2) The Fund shall consist of—

- (a) sums of money which may from time to time be voted by the County Assembly for that purpose;
- (b) sums which represent the repayment of the capital and interest of any loan granted from the Fund;
- (c) income from any investment made by the Fund;
- (d) any sums of money borrowed by the Fund with the approval of the County Assembly; and
- (e) any gifts, donations, grants and endowments made to the Fund by development partners.

(3) The Fund shall be used—

- (a) to grant low-interest loans to cooperative institutions with a view to scaling up their lending activities, value addition amongst other activities as may be prescribed;
 - (b) to provide funds to support, revive and initiate cooperative sector institutions in areas that can have an immediate impact to household economy;
 - (c) to attract and facilitate investment in cooperative sector institutions that have linkages to micro, small and medium enterprises that benefit the youth;
 - (d) provide financial support to cooperative sector institutions that support strategic and high-return interventions which directly and indirectly have the potential to trigger growth and sector-wide impact;
 - (e) to attract and facilitate investment in cooperative sector institution that have linkages to low-income persons, community-based organizations, and women groups;
 - (f) provide funds to cooperative sector institutions to facilitate marketing of products and services both in the domestic and the international market; and
 - (g) conduct research and development, capacity building and Training the Cooperative sector.
- (4) The Fund shall be administered by a Board of Trustees in the manner prescribed in regulations.

Power to make regulations.

103. (1) The Executive Member may in consultation make rules for the better carrying out of the provisions and purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may—

- (a) prescribe the forms to be used and conditions to be complied with in making application for the registration of a society and the procedure to be followed;
- (b) procedures for conduct of business for county co-operatives societies forum;
- (c) prescribe the matter in respect of which a co-operative society may or shall make by-laws, and the procedure to be followed in making, varying and revoking by-laws, and the conditions to be satisfied before making, varying or revoking by-laws;
- (d) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and the payments to be made and the interests to be acquired before the exercise of the right of membership;
- (e) regulate the manner in which funds may be raised whether by means of shares or debentures or otherwise;
- (f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;
- (g) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers;
- (h) prescribe the accounts and books to be kept by a cooperative Society.
- (i) provide for the form of final accounts and the balance sheet to be prepared annually and any other statements and schedules relating thereto;
- (j) prescribe the rate of dividends or share capital;
- (k) prescribe the procurement and disposal of assets rule;
- (l) prescribe the reports to be prepared by a cooperative society;

- (m) provide for the resignation and expulsion of members and for the payments, if any, to be made to members who resign or are expelled, and for the liabilities of past members;
- (n) provide for the persons by whom and the forms in which copies of entries in books of co-operative societies may be certified;
- (o) provide for the inspection of documents and the registers at the directorates office and prescribe the fees to be paid thereof and for the issue of copies of such documents or registers;
- (p) provide for the formation and maintenance of a register for members and, where the liability of members is limited by shares or limited by guarantee, of the register of shares;
- (q) provide for the order in which the value of the deceased member's interest shall be ascertained and subject to section 55 for the nomination of a person to whom such interest may be paid or transferred;
- (r) provide for the mode in which the value of the interest of a member who has become of unsound mind or incapable of managing his affairs shall be ascertained and for the nomination of any person to whom such interest may be paid or transferred;
- (s) provide for the manner of formation and maintenance of reserve funds and the objects to which such funds may be applied and for the investments of any funds under the control of a co-operative society;
- (t) prescribe the procedure to be followed in appeals made to the executive member under this Act;
- (u) prescribe the returns to be submitted by a co-operative society to the Executive member and the person by whom and the form in which such returns shall be submitted;
- (v) prescribe the fees to be paid on applications, registrations and other acts done by the Executive member under this Act;
- (w) prescribe the procedures to be followed in the liquidation of societies; and
- (x) prescribe anything which under this Act may be prescribed.

(3) In any case where the directorate is satisfied that a substantial number of members of any co-operative society are unacquainted with the English language, it may cause any rules made under this section to be translated into a language with which such members are acquainted and which such members belong, provided that on any matter of interpretation the English version of the rules shall prevail.

(4) The regulations under this Act shall be approved by the County Executive Committee before they take effect.

Exemption

104. (1) Notwithstanding anything contained in this Act, the Executive member may by notice of the *Gazette*—

- (a) exempt any co-operative society from any of the provisions of this act, subject to such conditions, exceptions or qualifications as he may think fit to impose;
- (b) apply to any co-operative society any of the provisions of this act subject to such modifications as he may think fit.

(2) The executive member shall cause to be published in the gazette thirty day's notice of the intention to grant an exemption under subsection (1).

(3) Any person with an objection regarding an intended exemption under this section may make representations to the Executive Member within the period of the notice.

(4) The Executive member may upon considering representations and objections made under this section either—

- (a) abstain from granting the intended exemption; or
- (b) grant such exemption subject to such terms and conditions as he may deem fit.

(5) The Executive member may at any time and on any matter direct the directorate as to the exercise of his powers and duties under this Act.

Other powers of the directorate

105. Without prejudice to any other powers under this Act, the directorate may—

- (a) call for election in any co-operative society;
- (b) attend meetings of a Co-operative society and require every society to send to him at a proper time, notice and agenda of every meeting and all minutes and communications in respect thereof;
- (c) require the societies update their by-laws; and
- (d) exercise such other powers consistent with this Act as may be prescribed.

Offences

106. (1) It shall be an offence under this Act if—

- (a) a co-operative society or an officer or a member thereof, fails to do or to cause to be done any act or thing which is required by or under this Act or any rules made there under to be done;
- (b) a co-operative society or an officer or a member thereof does anything which is prohibited by or under this Act or any rules made there under; ;
- (c) a co-operative society, or an officer or a member thereof, willfully neglects or refuses to do any act or to furnish any information required for the purposes of this Act by the directorate, or any person duly authorized in that behalf, by the directorate;
- (d) a co-operative society or an officer or member thereof willfully makes a false return or furnishes false information with respect to any return or information in or which is required by or under this Act or any rules made there under; or
- (e) any person who acts or purports to act as an officer of a co-operative society when not entitled to do so.

(2) Every co-operative society, officer or member of a co-operative society or other person who commits an offence under this section shall be liable to a fine not exceeding fifty thousand shillings or to imprisonment for a term not exceeding two years, or both.

(3) The Executive member in consultation with the Director of Public prosecutions appoints public prosecutors for cases arising under the provisions of this Act.

Savings

107. (1) A co-operative society which was registered under the Co-operatives Societies Act, prior to the commencement of this Act shall be deemed to be registered under this Act.

(2) Notwithstanding subsection (1), a co-operative society operating in the county shall comply with this Act within six months.