



LAWS OF KENYA



## **CO-OPERATIVE SOCIETIES ACT**

CHAPTER 490

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**CHAPTER 490**

**CO-OPERATIVE SOCIETIES ACT**

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## CHAPTER 490

## CO-OPERATIVE SOCIETIES ACT

[Date of assent: 22nd December, 1997.]

[Date of commencement: 5th November, 2004.]

**An Act of Parliament relating to the constitution, registration and regulation of co-operative societies and for purposes incidental thereto**

[L.N. 42/1998, L.N. 117/2004, Act No. 2 of 2004, , Act No. 14 of 2008.]

## PART I – PRELIMINARY

**1. Short title**

This Act may be cited as the Co-operative Societies Act.

**2. Interpretation**

In this Act, except where 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 co-operative movement in Kenya and registered under this Act to promote co-operative development and represent the interests of co-operative 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;

“**Commissioner**” means the Commissioner for Co-operative Development appointed under section 3 and includes any person on whom any of the powers of the Commissioner have been conferred in accordance with this Act;

“**Committee**” means the governing body of a co-operative society to whom the management of its affairs is entrusted, and includes a board of directors;

“**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 4;

**“co-operative union”** means a co-operative society whose membership is restricted to primary societies;

**“date of dissolution”** means the date on which the Commissioner’s order canceling the registration of a co-operative society takes effect;

**“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;

**“district co-operative unions’** *deleted by Act No. 2 of 2004, s. 2;*

**“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;

**“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;

**“Minister”** means the Minister for the time being responsible for Co-operative development;

**“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;

**“primary society”** means a co-operative society whose membership is restricted to individual persons;

**“Registrar”** *deleted by Act No. 2 of 2004, s. 2;*

**“secondary society”** *deleted by Act No. 2 of 2004, s. 2;*

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

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

**“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;



“**Tribunal**” means the Co-operative Tribunal established under section 77;

“**winding up**” means all proceedings subsequent to the dissolution of a co-operative society.

[Act No. 2 of 2004, s. 2.]

## PART II – OFFICERS

### 3. Commissioner and other officers

(1) There shall be a Commissioner for Co-operative Development whose office shall be an office in the public service.

(2) There shall be such number of officers, including Deputy Commissioners, as may be necessary to assist the Commissioner in the administration of the provisions of this Act.

(3) The Commissioner shall be responsible for the growth and development of co-operative societies by providing such services as may be required by co-operative societies for their organization, registration, operation, advancement and, dissolution and for administration of the provisions of this Act.

[Act No. 2 of 2004, s. 3.]

## PART III – REGISTRATION OF CO-OPERATIVE SOCIETIES

### 4. Registration of co-operative societies

Subject to the provisions of this Act, a society which has as its objects—

- (a) the promotion of the welfare and economic interests of its members; and
- (b) has incorporated in its by-laws the following co-operative principles—
  - (i) voluntary and open membership;
  - (ii) democratic member control;
  - (iii) economic participation by members;
  - (iv) autonomy and independence;
  - (v) education, training and information;
  - (vi) co-operation among co-operatives; and
  - (vii) concern for community in general,

may be registered by the Commissioner as a co-operative society under this Act with or without limited liability.

Provided that a co-operative union or an apex society shall not be registered except with limited liability.

[Act No. 2 of 2004, Sch.]

### 5. Essentials for registration of a co-operative society

For a society to be registered under this Act, it must—

- (a) in the case of a primary society, consist of at least ten persons all of whom shall be qualified for membership of the co-operative society under section 14; or
- (b) in the case of a co-operative union has at least two registered societies as its members;

(c) *deleted by Act No. 2 of 2004, s. 4.*

[Act No. 2 of 2004, s. 4.]

## **6. Procedure for registration**

(1) An application to register a society shall be made to the Commissioner in the prescribed form, and be signed—

- (a) in the case of a primary society, by at least ten persons qualified for membership of the society under section 14;
- (b) in the case of a secondary or apex society, by a person duly authorized in that behalf by each co-operative society or co-operative union, as the case may be, who are members thereof.

(2) The application shall be accompanied by four copies of the proposed by-laws of the society in English 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 Commissioner may require.

(3) If the Commissioner is satisfied that a society has complied with the provisions of this Act and any rules made thereunder and that its proposed by-laws are not contrary to this Act or any rules made thereunder, he may register the society and its by-laws under this Act.

[Act No. 2 of 2004, Sch.]

## **7. Provisional registration**

(1) If the Commissioner is not satisfied that a society has complied with this Act and any rules made thereunder, or is not satisfied that its by-laws conform with this Act and any rules made thereunder, and is of the opinion that steps can be and will be taken with diligence by the persons by whom or on whose behalf the application for registration is made to comply with this Act and the rules made thereunder or to make the by-laws conform as aforesaid, the Commissioner may in his discretion provisionally register the society for such period, not exceeding one year, and subject to its compliance with such terms and conditions and provisions, as the Commissioner may specify in writing to the persons by whom or on whose behalf the application for registration is made.

(2) A provisional registration shall, subject to this section, and to any terms or conditions specified by the Commissioner under subsection (1) entitle the society to operate as a co-operative society, and such society whilst so entitled to operate shall be deemed to be a body corporate with perpetual succession and a common seal, and with power to hold movable and immovable property of every description, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purpose for which it is constituted; and, subject to the provisions of this Act, any reference in any written law to a co-operative society shall, unless the context otherwise requires, include a reference to a society which is provisionally registered.

(3) A society which is provisionally registered shall cause the fact that it is provisionally registered to be stated in legible Roman letters in all billheads, letter, papers, notices, advertisements and other official publications of the society, and on a sign board in a conspicuous position outside any premises in which it operates.

(4) (a) The Commissioner may for good cause cancel the provisional registration of a society, by a notice in writing addressed to the society, specifying

the reasons therefor, and such cancellation shall operate as a refusal to register the society, and the society shall, from the date of service of the notice, cease to be a registered co-operative society.

(b) At the expiration of the period specified by the Commissioner under subsection (1), a society, if it has not been registered in the meantime, shall cease to be a registered co-operative society.

(c) Where a society ceases to be a registered co-operative society—

- (i) the Commissioner may appoint a competent person to be the liquidator of the society; and
- (ii) the validity of any transaction entered into by that society during the period of provisional registration shall not be affected thereby.

(5) At any time during the period of provisional registration of a society, the Commissioner, if he is satisfied that the society has complied with this Act and any rules made thereunder, and that its by-laws conform with the requirements of this Act and rules made thereunder, may register the society under section 5, and thereupon such society shall be deemed to have been so registered on the date of its provisional registration, and this section shall cease to apply to such society.

(6) Where a society which has been provisionally registered under this section contravenes subsection (3), the society and every officer, or person who purports to act as an officer, of the society shall be guilty of an offence and shall be liable to a fine not exceeding ten thousand shillings, or in the case of a continuing offence to a fine not exceeding one thousand shillings for each day during which the offence continues.

[Act No. 2 of 2004, s. 5, Sch..]

## **8. Amendments of by-laws**

(1) A co-operative society may, subject to this Act, amend its by-laws, including the by-law which declares the name of the society.

(2) No amendment of the by-laws of a co-operative society shall be valid until the amendment has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Commissioner in the prescribed manner.

(3) If the Commissioner is satisfied that any amendment of the by-laws of the Co-operative society is not contrary to this Act and any rules made thereunder, he may register the amendment.

(3A) The Commissioner 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 amendment.

(4) 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.

(5) When the Commissioner registers an amendment of the by-laws of a co-operative society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence of the fact that the amendment has been duly registered.

(6) In this section, “**amendment**” includes the making of a new by-law and the variation or revocation of a by-law, but excludes the variation of the registered address of a co-operative society where this forms a part of the by-laws of such a society.

[Act No. 2 of 2004, s. 6, Sch..]

## 9. Appeal against refusal to register

(1) A co-operative society may appeal to the Minister against the Commissioner’s refusal to register the society and its by-laws or any amendments of its by-laws under section 8 within thirty days of being notified of the refusal.

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

[Act No. 2 of 2004, s. 7, Sch.]

## 10. Protection of the name “Co-operative”

(1) No society shall be registered under a name identical with that under which any other existing society is registered, or under any name likely, in the opinion of the Commissioner, 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 having limited liability.

[Act No. 2 of 2004, Sch.]

## 11. Evidence of registration

(1) A certificate of registration or of a provisional registration signed by the Commissioner 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 canceled or has been terminated.

(2) The certificate of registration bearing the number and date of registration shall be displayed at the head office of every co-operative society.

(3) *Deleted by Act No. 2 of 2004, s. 8.*

(4) A copy of the by-laws of a co-operative society or of an amendment of such by-laws certified by the Commissioner shall be *prima facie* evidence for all purposes of the registration of such by-laws or such amendment.

(5) A document purporting to be signed by the Commissioner shall be presumed to have been signed by him until the contrary is proved.

[Act No. 2 of 2004, s. 8, Sch.]

## PART IV – PRIVILEGES OF A REGISTERED SOCIETY

**12. Co-operative society to be body corporate**

Upon registration, every society shall become a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold movable and immovable property of every description, to enter into contracts, to sue and be sued and to do all things necessary for the purpose of, or in accordance with, its by-laws.

**13. By-laws to bind members of co-operative societies**

The by-laws of a co-operative society, shall, when registered, bind the co-operative society and the members thereof 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.

## PART V – RIGHTS AND LIABILITIES OF MEMBERS

**14. Qualification for membership**

A person other than a co-operative society shall not be qualified for membership of a co-operative society unless—

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

**15. Limitation of holding share capital**

No member, other than a co-operative society, shall hold more than one-fifth of the issued and paid-up share capital of any co-operative society.

**16. Membership subject to authorisation by annual general meeting**

No company incorporated or registered under the Companies Act (Cap. 486), and no unincorporated body of persons shall be entitled to become member of a co-operative society, except with a written authorisation through a resolution by a general meeting of that co-operative society.

[Act No. 2 of 2004, s. 9.]

**17. Membership of co-operative society**

No member of a co-operative society shall exercise any of the rights a member unless he has made such payment to the society in respect of membership, or has acquired such interest in the society as may be prescribed under this Act or under the by-laws of the society.

**18. Limitation of membership to one society**

No person shall be a member of more than one co-operative society with unlimited liability and, no person shall be a member of more than one co-operative society having the same or similar object:

Provided that a person who—

- (i) is a member of a co-operative society; and
- (ii) 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.

**19. Voting rights of members**

Each member of a co-operative society shall have one vote only in the affairs of the society, irrespective of the number of shares he holds:

Provided that a co-operative society which is a member of a co-operative union or an apex society shall have as many votes as may be prescribed by the by-laws of the co-operative union or apex society of which it is a member, and may, subject to such by-laws, appoint any number of its committee members, not exceeding the number of such votes, to exercise its voting power.

**20. Transfer of shares**

(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 15.

(2) In the case of a co-operative 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 favour of the society or a member of the society.

**21. Rights of members**

A member of a co-operative society shall have the right to—

- (a) attend and participate in decisions taken at all general meetings of the society and vote;
- (b) be elected to organs of the society, subject to its by-laws;
- (c) enjoy the use of all the facilities and services of the society subject to the society's by-laws;
- (d) all legitimate information relating to the society, including: internal regulations, registers, Minutes of general meetings, supervisory committees, reports, annual accounts and inventories, investigation reports, at the society's head office.

[Act No. 2 of 2004, s. 10.]

**22. Member's rights *vis-a-vis* the co-operative society**

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.

**PART VI – DUTIES OF CO-OPERATIVE SOCIETIES****23. Registered address of co-operative society**

Every co-operative society shall have a registered address to which notices and communications may be sent and shall send to the Commissioner notice of every change of address within one month of the change.

[Act No. 2 of 2004, Sch.]

**24. Society to keep a copy of the Act and by-laws at registered office**

Every co-operative society shall keep a copy of this Act and of the rules made thereunder and of its own by-laws and a list of its members (excluding details of nominees and shareholdings) at its registered office and shall keep them open for inspection by any person, free of charge, at all reasonable times during business hours.

**24A. Estimates of income and expenditure**

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 at least three months before the end of the preceding financial year.

[Act No. 2 of 2004, s. 11.]

**25. Account and audit**

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

- (a) 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 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 an auditor appointed under subsection (4).

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

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

(6) 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; and
  - (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.

(7) No auditor shall 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 Commissioner in such form as may be prescribed.

(8) The auditor shall submit the audited accounts to a general meeting within four months after the end of the accounting 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) Every co-operative society shall, at such time and in such form as may be prescribed, file with the Commissioner 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 Commissioner 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 established by the Institute of Certified Public Accountants of Kenya.

[Act No. 2 of 2004, s. 12.]

## **26. Production of books and other documents**

Any officer, agent, servant or member of a co-operative society who is required by the Commissioner, or by a person authorized in writing by him to do so shall, at such place and time as the Commissioner 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.

[Act No. 2 of 2004, Sch.]

## PART VII – MANAGEMENT OF CO-OPERATIVE SOCIETIES

### **27. General meetings**

(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 co-operative 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 Commissioner;
- (c) consider and adopt audited accounts;
- (d) determine the manner in which any available surplus is to be distributed or invested;
- (e) elect the co-operative society's office bearers for the ensuing year;
- (f) determine, where necessary, the maximum borrowing power of the society;
- (g) appoint an auditor for the ensuing 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 of the co-operative society.

(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 rules and stating the objects and reasons for calling the meeting.

(7) 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.

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

(9) 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.

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

[Act No. 2 of 2004, s. 13.]

## **28. Membership and powers of the Committee**

(1) Every co-operative 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 a chairman and a vice-chairman 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) No person shall 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 Commissioner in the prescribed manner;
- (i) is an undischarged bankrupt;
- (j) is of unsound mind;
- (k) has been adversely named by the Commissioner 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 rules made thereunder;
- (n) has any uncleared 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 but, nothing in this subsection shall absolve the Committee from its responsibility to run the affairs of the co-operative society in a proper and businesslike manner.

(6) 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, rules, by-laws or the directions of any general meeting of the co-operative society.

(7) The Commissioner 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.

[Act No. 2 of 2004, s. 14.]

## PART VIII – AMALGAMATION AND DIVISION OF CO-OPERATIVE SOCIETIES

### **29. Amalgamation of co-operative societies**

(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) Any 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) Any 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) Any other 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 Commissioner.

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

- (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 whose claims were not satisfied in accordance with the secondary resolution, may pursue such claims against the amalgamated society.

(10) Where the Commissioner refuses the amalgamation of the amalgamating societies under subsection (9) such societies may appeal against such refusal to the Minister.

[Act No. 2 of 2004, s. 15, Sch.]

### **30. Division of co-operative societies**

(1) (a) 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).

(b) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) At the special general meeting held under subsection (6), 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 (3);
- (b) the satisfaction of any claims by creditors who have given notice under subsection (4);
- (c) the satisfaction of the claims of such other persons who have given notice under subsection (5) or the securing of their claims as the Commissioner may determine, or direct:

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) 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 Commissioner are not substantial, and the decision of the Commissioner as to whether any changes are or are not substantial shall be final.

(9) If, the Commissioner 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 share holders 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.

(10) Where the Commissioner refuses to approve the division of an existing society under subsection (9), the society may appeal to the Minister within thirty days of the communication to it of the refusal.

[Act No. 2 of 2004, s. 16, Sch.]

## PART IX – RIGHTS AND OBLIGATIONS OF CO-OPERATIVE SOCIETIES

### **31. Society to have charge over member's produce**

(1) A co-operative society which has as one of its objects the disposal of any agricultural produce, may enter into a contract with its members, either in its by-laws or by a separate document binding the members to dispose of all their agricultural produce, or such amounts or descriptions of the same as may be stated therein, to or through the society, and the contract may bind the members to produce the quantities of agricultural produce therein specified, and the contract may also provide for payment of a specific sum per unit of weight or other measure as liquidated damages for any breach of the contract, and any such sum on becoming payable shall be a debt due to the society and shall 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.

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

(3) 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.

(4) 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.

### **32. Fines for violation of by-laws**

(1) The by-laws of a co-operative society may, subject to this Act and rules made thereunder, provide for the imposition of fines, not exceeding twenty thousand shillings, on its members for any infringement of its by-laws, but no such fine shall be imposed 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.

(2) 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.

(3) 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.

(4) A member shall not be taken to have infringed the by-laws of a co-operative society by reason of his having failed to deliver produce to such



society, if the failure was due to the fact that, 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 with subsection (5).

(5) 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 (4).

[Act No. 2 of 2004, s. 17.]

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

(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; or
- (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 therefrom 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.

### **34. Society to have first charge over members' share**

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.

### **35. Failure to remit the sum deducted**

(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 Commissioner 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 Commissioner 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 Commissioner stating the reasons for his inability and the Commissioner 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 Commissioner 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 defence 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.

[Act No. 2 of 2004, s. 18.]

### **36. Member’s share not subject to attachment**

Subject to section 34, the share 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.

### **37. Liability of past members**

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.

**38. Liability of deceased members**

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 co-operative society with limited liability, if the first audit of the accounts of the society after the death discloses a credit balance in favour 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.

**39. Transfer of share or interest of deceased members**

(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 and any rules made thereunder; 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 and any rules made thereunder 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 co-operative 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
- (ii) in the case of a co-operative 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 any rules made thereunder 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.

#### **40. Evidence of member's interest in society**

(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.

#### **41. Restriction on production of society's books**

No officer of a co-operative society shall in any legal proceedings to 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 40 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**

#### **42. Application of society's property and funds**

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 rules made hereunder and the by-laws of the society.

#### **43. Restriction on giving loans**

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.

[Act No. 2 of 2004, s. 19.]

#### **44. Restriction on borrowing**

A co-operative society may receive loans from persons who are not members only to such extent and under such conditions as may be prescribed by its by-laws or by rules under this Act, and for the purposes of this section a deposit of money under a hire-purchase agreement shall be deemed to be a loan.

[Act No. 14 of 2008, s. 70.]

#### **45. Investment of society's funds**

A co-operative society may invest or deposit its funds only—

- (a) in the Post Office Savings Bank;

- (b) in and upon such investments and securities as are for the time being authorized for the investment of trust funds;
- (c) in the shares of any other co-operative society;
- (d) with any bank licensed under the Banking Act (Cap. 488);
- (e) 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.

[Act No. 2 of 2004, s. 20.]

#### **46. Declaration and payment of bonus**

(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) No co-operative society shall 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.

#### **47. Maintenance of reserve fund**

(1) Every 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 rules made under this Act or by the by-laws of the society.

(3) The reserve fund shall be invested in the manner provided for under section 45 of this Act.

(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) 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.

[Act No. 2 of 2004, s. 21]

#### **48. Distribution of net balance**

Subject to sections 46 and 47, the net balance of each year with, any sum available for distribution from previous years, may be distributed in the manner prescribed by rules made under this Act or by the by-laws of the society.

## PART XI – CHARGES BY CO-OPERATIVE SOCIETIES

**49. Creating charge over society's property**

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.

[Act No. 2 of 2004, s. 22.]

**50. Charge to comply with applicable law**

A charge created by a co-operative society in accordance with section 49 of this Act shall comply with the provisions of the law applicable to the particular type of charge.

**51. Charges to be registered with the Commissioner**

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

Provided that registration of a charge may be effected on the application of any person interested therein:

Provided further that 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 Commissioner for such registration.

(2) If any co-operative society fails to send to the Commissioner for registration the particulars of any charge created by it within a period of thirty days, then unless the registration has been effected by some other person within that period, every officer of the society 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.

[Act No. 2 of 2004, s. 23, Sch.]

**52. Register of charges**

(1) The Commissioner shall, with respect to each co-operative society, register in such form as may be prescribed by or under this Act, 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 acquired by the society, the date of the acquisition of the property;
- (b) the amount secured by the charge;
- (c) short particulars of the property charged; and
- (d) the persons entitled to the charge.

(2) The Commissioner shall issue a certificate under his hand 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 Commissioner shall keep a chronological index in the prescribed form and containing the prescribed particulars, of the charges entered in the register.

[Act No. 2 of 2004, Sch.]

### **53. Certificate of satisfaction of charges**

The Commissioner 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.

[Act No. 2 of 2004, Sch.]

### **54. Receiver to give notice of his appointment**

(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 Commissioner 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 Commissioner and the Commissioner 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 Commissioner and the Commissioner 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.

[Act No. 2 of 2004, s. 24, Sch.]

### **55. Society to keep copy of instruments of charge at registered office**

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.

### **56. Society to keep register of particulars of charges**

(1) Every co-operative society shall keep, at the registered address 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 ten thousand shillings.

[Act No. 2 of 2004, s. 25.]

### **57. Right of members and creditors to inspect register of charges**

(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

under section 52 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 to inspection by any other person on payment of the prescribed fee.

(2) Any officer of a co-operative society who refuses to allow inspection of the register of charges or copies of the instruments creating charges in accordance with subsection (1) of this section, or who permits such refusal, shall be guilty of an offence and shall be liable to a fine not exceeding two thousand shillings for every day during which the refusal of permission continues, and the court may order an immediate inspection of such register or copies.

[Act No. 2 of 2004, s. 26.]

## PART XII – INQUIRY AND INSPECTION

### 58. Inquiry by Commissioner

(1) The Commissioner may, of his own accord, and shall on the direction of the Minister, as the case may be, or 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, hold an inquiry or direct any person authorized by him in writing to hold an inquiry, into the by-laws, working and financial conditions of any co-operative society.

(2) 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.

(3) The Commissioner 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.

(4) Where the Commissioner is satisfied, after due inquiry, that the Committee of a co-operative society is not performing its duties properly, he may—

- (a) dissolve the Committee; and
- (b) 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.

(5) A person who contravenes subsection (2) shall be guilty of an offence and shall be liable to a fine not exceeding two thousand shillings for each day during which the offence continues.

[Act No. 2 of 2004, s. 27, Sch.]

### 59. Inspection of books of indebted society

(1) The Commissioner may, if he thinks 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 Commissioner 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 Commissioner such sum as security for the expenses of the inspection as the Commissioner may require.

(2) The Commissioner shall inform the creditor of the results of the inspection.

[Act No. 2 of 2004, Sch.]

### **60. Expenses of inquiry**

(1) Where an inquiry is held under section 58, or an inspection is made under section 59 of this Act, the Commissioner 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; and the decision of the Commissioner thereon shall be final.

(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.

[Act No. 2 of 2004, Sch.]

### **60A. Routine inspection**

Notwithstanding the provisions of sections 58 and 59, the Commissioner may from time to time carry out impromptu inspection into the affairs of a co-operative society.

[Act No. 2 of 2004, s. 28.]

## **PART XIII – DISSOLUTION**

### **61. Procedure for dissolution**

(1) If the Commissioner, after holding an inquiry under section 58 or making an inspection under section 59 of this Act, or receiving an application made by at least three fourths 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 Minister with a final appeal to the High Court.

(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 Minister or by the High Court, as the case may be.

(4) Where the Commissioner 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) No co-operative society shall be dissolved or wound up save by an order of the Commissioner.

[Act No. 2 of 2004, s. 29, Sch.]



**62. Cancellation of registration**

(1) Where a co-operative society has—

- (a) less than the prescribed number of members; or
- (b) failed to file returns with the Commissioner for a period of three years; or
- (c) failed to achieve its objects,

the Commissioner 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 Commissioner under subsection (1) may appeal against such order to the Minister within thirty days of the order.

[Act No. 2 of 2004, s. 30.]

**63. Effects of cancellation**

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.

**64. Application of Companies Act**

(1) The sections of the Companies Act (Cap. 486) specified in Part I of the Schedule to this Act, modified in accordance with Part II of that Schedule, shall apply *mutatis mutandis* 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 Minister may, by order, amend the Schedule to this Act.

**65. Appointment of liquidator**

Where the registration of a co-operative society is cancelled under section 61 or 62, the Commissioner may appoint one or more persons to be liquidator or liquidators of that society (hereinafter 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.

[Act No. 2 of 2004, Sch.]

**66. Powers of liquidator**

(1) 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, and to appear before the Tribunal as litigant in person on behalf of the society;
- (c) to appoint an advocate to assist him in the performance of his duties;
- (d) to refer disputes to the Tribunal in the prescribed manner;
- (e) 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;

- (f) to investigate all claims against the society, and subject to this Act, to decide questions of priority arising between claimants;
- (g) to call such meeting of members and creditors as may be necessary for the proper conduct of the liquidation;
- (h) 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;
- (i) to carry on the business of the society as far as may be necessary for the proper liquidation of the affairs of the society;
- (j) to determine, from time to time, by what persons and in what proportion the expenses of the liquidation are to be borne;
- (k) to take possession of the books, documents and assets of the society;
- (l) 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 Commissioner;
- (m) 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;
- (n) to compromise, with the approval of the Commissioner, any claim by, or against, the society;
- (o) to apply to the Commissioner 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 by the same means and so far as may be necessary, in the same manner as is provided in the case of a court under the Civil Procedure Act (Cap. 21), in so far as such powers are necessary for carrying out the purposes of this section.

[Act No. 2 of 2004, Sch.]

#### **67. Liquidation account of societies**

An account, to be called the Co-operative Societies Liquidation Account, shall be kept by the Commissioner with such bank as may be prescribed and shall be administered in the prescribed manner.

[Act No. 2 of 2004, Sch.]

#### **68. Powers of Commissioner during liquidation**

(1) The liquidator shall exercise his powers subject to the guidance and control of the Commissioner and to any limitations imposed by the Commissioner, and the Commissioner may—

- (a) rescind or vary any order made by the liquidator and make any new order he thinks proper;
- (b) remove the liquidator from office and appoint a new liquidator in his place;
- (c) call for all books, documents and assets of the society;

- (d) by order in writing, in any particular case, limit the powers of the liquidator conferred by section 66;
- (e) at his discretion, require accounts to be rendered to the Commissioner 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) refer any dispute between a liquidator and any third party to the Tribunal if that party consents in writing to be bound by the decision of the Tribunal;
- (l) require the indemnification of the liquidator.

(2) The decision of the Tribunal on any matter referred to it under subsection (1)(k) shall be binding upon the parties and shall be exercisable in the like manner as an order made by the Commissioner under subsection (1)(a).

(3) Where any matter is referred to the Tribunal under subsection (1)(k) the cost of the reference and award shall be in the discretion of the Tribunal, who may direct to and by whom, and in what manner, those costs or any part thereof shall be paid, and may tax or settle the amount of costs to be so paid by any party thereof.

[Act No. 2 of 2004, Sch.]

### **69. Appeal against order of liquidator or Commissioner**

(1) A person aggrieved by any order or decision of the Commissioner or the liquidator under section 66 or section 68, as the case may be, may appeal against the order or decision to the Tribunal within thirty days of the order or decision.

(2) A person aggrieved by a decision of the Tribunal under subsection (1) may appeal to the High Court within thirty days of the decision.

[Act No. 2 of 2004, s.31, Sch.]

### **70. Enforcement of orders**

Subject to sections 68 and 69, any order or decision made under section 66 or section 68 on being filed in the court, may be enforced in a court in the same manner as if the order or decision were an order or decision of the court.

**71. Institution of winding up proceedings**

If the liquidator of a society whose registration has been cancelled alleges that any of the offences mentioned in sections 318, 319, 320, 321, 322 or 323 of the Companies Act (Cap. 486) have been committed, he shall report the facts to the Commissioner, who shall, if he thinks fit, institute such proceedings as may be necessary.

[Act No. 2 of 2004, Sch.]

**72. Power to restrain convicted persons from being officers of society**

Any person who is convicted of an offence under sections of the Companies Act (Cap. 486) specified in section 71 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****73. Power to surcharge officers of co-operative society**

(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 Commissioner 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 Commissioner may, if he 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 Commissioner thinks just or to contribute such sum to the assets of the society by way of compensation as the Commissioner 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.

[Act No. 2 of 2004, s. 32.]

**74. Appeal against order**

(1) Any person aggrieved by an order of the Commissioner under section 73(1) may, within thirty days, appeal to the Tribunal.

(2) A party aggrieved by the decision of the Tribunal may within thirty days appeal to the High Court on matters of law.

[Act No. 2 of 2004, s. 33.]

**75. Recovery of surcharge**

(1) Subject to section 74, an order made pursuant to section 73 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 under section 73, the Commissioner may, on behalf of the society, institute such action.

[Act No. 2 of 2004, s. 34.]

## PART XV – SETTLEMENT OF DISPUTES

**76. Disputes**

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

- (a) among members, past members and persons claiming through members, past members and deceased members; or
- (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 Tribunal.

(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; or
- (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;
- (c) a claim by a Sacco society against a refusal to grant or a revocation of licence or any other due, from the Authority.

[Act No. 2 of 2004, s. 35, Act No. 14 of 2008, s. 71.]

**77. Establishment of the Tribunal**

(1) There is hereby established a tribunal to be known as the Co-operative Tribunal which shall consist of the following members—

- (a) a chairman and deputy chairman appointed by the Minister on the nomination of the Judicial Service Commission;
- (b) an advocate of the High Court of Kenya appointed by the Minister on the nomination of the Law Society of Kenya;
- (c) a lawyer with experience in co-operative law appointed by the Minister; and
- (d) three persons with at least ten years experience in the field of co-operative management and practice appointed by the Minister in consultation with the apex society.

(2) No person shall be qualified for appointment as chairman or deputy chairman of the Tribunal unless he holds, and has held for a total period of not less than five years, the qualifications specified in sections 12 and 13 of the Advocates Act (Cap. 16).

(3) All appointments to the Tribunal shall be by notice in the *Gazette* issued by the Minister and shall be for a period of three years, provided that no one shall serve for more than two consecutive terms.

(4) The office of a member of the Tribunal shall become vacant—

- (a) if he accepts any office the holding of which, if he were not a member of the Tribunal, would make him ineligible for the appointment to office of a member of the Tribunal;
  - (b) if he is removed from membership of the Tribunal by the Minister after due inquiry for failure to discharge the functions of his office (whether arising from infirmity of body or mind or from any other cause) or for misconduct; or
- if he fails to attend three consecutive sittings of the Tribunal without reasonable cause.

[Act No. 2 of 2004, s. 35, Act No. 14 of 2008, s. 36.]

## 78. Proceedings of Tribunal

(1) The Tribunal shall not be bound by the rules of evidence.

(2) The Tribunal shall, upon an application made to it in writing by any party or a reference made to it by the Commissioner or any Committee or officer of a co-operative society on any matter relating to this Act, the rules made thereunder or the by-laws of the society, inquire into the matter and make an award thereon, and every award made shall be notified by the Tribunal to the parties concerned.

(3) The Tribunal shall sit at such times and in such places as it may decide.

(4) The proceedings of the Tribunal shall be open to the public save where the Tribunal, for good cause, otherwise directs.

(5) Except as expressly provided in this Act or any rules made thereunder, the Tribunal shall regulate its own procedure.

[Act No. 2 of 2004, Sch.]

## 79. Award of Tribunal

(1) The Tribunal may—

- (a) make such orders for the purposes of securing the attendance of any person at any place, the discovery or production of any document or the investigation of contravention of this Act as it deems necessary or expedient;
- (b) take evidence on oath and may for that purpose administer oaths; or
- (c) on its own motion summon and hear any person as a witness.

(2) Any person who—

- (a) fails to attend to the Tribunal after having been required to do so under subsection (1)(a);

- (b) refuses to take oath before the Tribunal or to answer satisfactorily to the best of his knowledge and belief any question lawfully put to him in any proceedings before the Tribunal or to produce any article or document when required to do so by the Tribunal;
- (c) knowingly gives false evidence or information which he knows to be misleading;
- (d) at any sitting of the Tribunal—
  - (i) wilfully insults any member or officer of the Tribunal; or
  - (ii) wilfully interrupts the proceedings or commits any contempt of the Tribunal,

shall be guilty of an offence under this Act.

(3) Where the Tribunal enters judgment in terms of the award together with costs, it shall issue a decree which shall be enforceable as a decree of a court.

(4) If, after making an order, the Tribunal discovers that the order was based on a misrepresentation or a concealment of a material fact by either party to the dispute, the Tribunal may order the party guilty of the misrepresentation or concealment to pay the other party such sum as is, in the opinion of the Tribunal, sufficient compensation for any damage or loss suffered by the party as a result of the misrepresentation or concealment.

(5) The Tribunal shall have unlimited geographical and pecuniary jurisdiction in matters of co-operative disputes.

[Act No. 2 of 2004, s.37.]

## **80. Quorum for Tribunal**

(1) For the purposes of hearing and determining any cause or matter under this Act, the Chairman and two members of the Tribunal shall form a quorum:

Provided that where for any reason either or both of the members is or are not present for any part of the hearing, the jurisdiction of the Tribunal may be exercised by the Chairman, sitting either with one such member or alone as the case may be.

(2) A member of the Tribunal who has a direct interest in any matter which is the subject of the proceedings before the Tribunal shall not take part in those proceedings.

(3) Any matter considered by the Tribunal shall be decided by the votes of the majority of the members constituting the Tribunal and voting, and the person presiding shall have a casting as well as a deliberative vote:

Provided that any point of law arising in any proceedings before the Tribunal shall be reserved to, and pronounced upon, by the person presiding exclusively.

(4) Notwithstanding any other provision of this Act, the Chairman of the Tribunal acting alone shall have jurisdiction to deal with temporary injunctions.

(5) Any power conferred or duty imposed by or under this Act on the Chairman may, unless a contrary intention appears, be exercised or performed by the Deputy Chairman of the Tribunal if—

- (a) the Chairman is unable to exercise or perform that power or duty owing to illness or absence;



- (b) the Chairman authorises the Deputy Chairman to exercise or perform that power or duty.

[Act No. 2 of 2004, s. 38.]

### **81. Appeal to High Court**

(1) Any party to the proceedings before the Tribunal who is aggrieved by any order of the Tribunal may, within thirty days of such order, appeal against such order to the High Court:

Provided that the High Court may, where it is satisfied that there is sufficient reason for so doing, extend the said period of thirty days upon such conditions, if any, as it may think fit.

(2) Upon the hearing of an appeal under this section, the High Court may—

- (a) confirm, set aside or vary the order in question;
- (b) remit the proceedings to the Tribunal with such instructions for further consideration, report, proceedings or evidence as the court may deem fit to give;
- (c) exercise any of the powers which could have been exercised by the Tribunal in the proceedings in connection with which the appeal is brought; or
- (d) make such other order as it may deem just, including an order as to costs of the appeal or of earlier proceedings in the matter before the Tribunal.

(3) The decision of the High Court on any appeal shall be final.

### **82. Power to appoint co-operative assessors**

The Chairman of the Tribunal may appoint any person with special skills or knowledge on co-operative issues which are the subject matter of any proceedings or inquiry before the Tribunal to act as an assessor in an advisory capacity, in any case where it appears to the Chairman that such special skills or knowledge are required for proper determination of the matter.

### **83. Contempt of Tribunal**

It shall be an offence for any person to engage in acts or make omissions amounting to contempt of the Tribunal and the Tribunal may punish any such person for contempt in accordance with the provisions of this Act.

### **84. Remuneration of members of Tribunal**

There shall be paid to the Chairman and members of the Tribunal such remuneration and allowances as the Minister shall, from time to time determine.

### **85. Appointment of secretary to Tribunal**

(1) The Minister shall appoint a public officer to be the secretary to the Tribunal who shall be paid such allowances as the Minister shall determine.

(2) No person shall be appointed under subsection (1) unless he holds the qualification specified under sections 12 and 13 of the Advocates Act (Cap. 16).

[Act No. 2 of 2004, s. 39.]



**86. Powers to establish benches of Tribunal**

The Minister may establish one or more benches of the Tribunal in any part of Kenya as he deems appropriate and shall for that purpose provide for the constitution and jurisdiction of such benches, in consultation with the Chairman of the Tribunal.

**87. Right of parties before Tribunal**

Any person who is a party to the proceeding before the Tribunal may appear in person or be represented by an Advocate.

**88. Immunity**

(1) The Chairman or other members of the Tribunal shall not be liable to be sued in a civil court for an act done or omitted to be done or ordered to be done by them in the discharge of their duty as members of the Tribunal, whether or not within the limits of their jurisdiction:

Provided they, at the time, in good faith, believed themselves to have jurisdiction to do or order the act complained of.

(2) No officer of the Tribunal or other person bound to execute the lawful warrants, orders or other processes of the Tribunal shall be liable to be sued in any court for the execution of a warrant, order or process which he would have been bound to execute if within the jurisdiction of the Tribunal issuing it.

**PART XVI – GENERAL****89. Remuneration of officers and members of society**

(1) No officer or member of a co-operative society shall 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) No officer or member of a co-operative society shall 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 shall be guilty of an offence and liable to a fine not exceeding one hundred thousand shillings or to imprisonment for a term not exceeding two years, or to both such fine and such imprisonment; and shall, if 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.

[Act No. 2 of 2004, s. 40.]

**90. Restriction on use of word “Co-operative”**

(1) No person, other than a co-operative society, shall 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 Commissioner.

(2) Any person who contravenes subsection (1) of this section shall be guilty of an offence and shall be liable to a fine not exceeding fifty thousand shillings, and in the case of a continuing offence, to a further fine not exceeding two thousand shillings for each day on which the offence is continued after conviction therefor.

[Act No. 2 of 2004, s. 41, Sch.]

**90A. Co-operative Development Fund**

(1) The Minister may establish a fund to be known as the Co-operative Development Fund (hereinafter referred to as “the Fund”).

(2) The object and purpose for which the Fund is established is the promotion of education, training, research, consultancy and other related activities in the co-operative sector in Kenya.

(3) The Fund shall consist of contributions by co-operative societies and any other lawful source.

(4) The Fund shall vest in a Board of nine trustees, six of whom shall be elected by the co-operative movement and three appointed by the Minister.

(5) The Minister may, in consultation with the apex society, prescribe the manner of formation and maintenance of the Fund.

[Act No. 2 of 2004, s. 42.]

**91. Rules**

(1) The Minister may in consultation with the apex society 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) 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;
- (c) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and the payments to be made and the interest to be acquired before the exercise of the right of membership;
- (d) regulate the manner in which funds may be raised whether by means of shares or debentures or otherwise;
- (e) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;

- (f) 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;
- (g) prescribe the accounts and books to be kept by a co-operative society;
- (h) provide for the form of the final accounts and the balance sheet to be prepared annually and any other statements and schedules relating thereto;
- (i) 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;
- (j) provide for the persons by whom and the form in which copies of entries in books of co-operative societies may be certified;
- (k) provide for the inspection of documents and registers at the Commissioner's office and prescribe the fees to be paid thereof and for the issue of copies of such documents or registers;
- (l) 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;
- (m) provide for the order in which the value of a deceased member's interest shall be ascertained and subject to section 39 for the nomination of a person to whom such interest may be paid or transferred;
- (n) 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;
- (o) 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;
- (p) prescribe the procedure to be followed in appeals made to the Minister under this Act;
- (q) prescribe the returns to be submitted by a co-operative society to the Commissioner and the person by whom and the form in which such returns shall be submitted;
- (r) prescribe the fees to be paid on applications, registrations and other acts done by the Commissioner under this Act;
- (s) prescribe the procedures to be followed in the liquidation of societies; and
- (t) prescribe anything which under this Act may be prescribed.

(3) In any case where the Commissioner is satisfied that a substantial number of members of any co-operative society are unacquainted with the English language, he may cause any rules made under this section to be translated into a language with which such members are acquainted, and to be

made known in a manner customary for the community to which such members belong, provided that on any matter of interpretation the English version of the rules shall prevail.

[Act No. 2 of 2004, s. 43, Sch.]

**91A.** *Repealed by Act No. 14 of 2008, s. 73*

## **92. Exemption**

(1) Notwithstanding anything contained in this Act, the Minister may, by notice in 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 Minister shall cause to be published in the *Gazette* thirty days' 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 Minister within the period of the notice.

(4) The Minister 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.

[Act No. 2 of 2004, s. 45.]

## **93. Powers of the Minister**

The Minister may at any time and on any matter direct the Commissioner as to the exercise of his powers and duties under this Act.

### **93A. Other powers of the Commissioner**

Without prejudice to any other powers under this Act the Commissioner may—

- (a) call for elections 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 that societies update their by-laws; and
- (d) exercise such other powers consistent with this Act as may be prescribed.

[Act No. 2 of 2004, s. 46.]

**94. Offences**

(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 thereunder to be done; or
- (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 thereunder; or
- (c) a co-operative society, or an officer or a member thereof, wilfully neglects or refuses to do any act or to furnish any information required for the purposes of this Act by the Commissioner or the Registrar, or any person duly authorized in that behalf, by the Commissioner or the Registrar; or
- (d) a co-operative society or an officer or member thereof wilfully 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 thereunder; or
- (e) any person wilfully and without reasonable excuse disobeys any summons, requirement or lawful order issued under this Act, or fails to furnish any return or information lawfully required from him by a person authorized to do so, or which he is required to furnish, by or under this Act or any rules made thereunder; or
- (f) any person 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 to both.

(3) The Attorney-General may, pursuant to the provisions of the Criminal Procedure Code (Cap. 75), appoint public prosecutors for cases arising under the provisions of this Act.

[Act No. 2 of 2004, s. 47.]

**95. Certain laws not to apply**

(1) The provisions of the Companies Act (Cap. 486), other than those referred to in sections 64 and 71 of this Act, and the Registration of Business Names Act (Cap. 499), shall not apply to a co-operative society.

(2) Notwithstanding the Trade Unions Act (Cap. 233), no co-operative society shall be taken to be a trade union.

**96. Repeal and savings**

(1) The Co-operative Societies Act, 1996, is hereby repealed.

(2) Notwithstanding the repeal of the Co-operative Societies Act, 1966—

- (a) every society, and all by-laws of a society and any amendments thereof, registered under the repealed Act shall be deemed to have been registered under this Act;

- (b) any register kept in pursuance of the repealed Act shall be deemed to be part of the register to be kept in pursuance of this Act;
- (c) any document referring to a provision of the repealed Act shall be construed as referring to the corresponding provision of this Act; and
- (d) any orders, directions, appointments and other acts lawfully made or done under any of the provisions of the repealed Act and in force immediately before the commencement of this Act shall be deemed to have been made or done under the corresponding provision of this Act and shall continue to have effect accordingly.

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SCHEDULE

[Section 64.]

PART I – THE COMPANIES ACT (CAP. 486)

<i>No. of Section</i>	<i>Description of Section</i>
220	Definition of inability to pay debts.
223	Power to stay or restrain proceedings against company.
224	Avoidance of dispositions of property, etc., after commencement of winding-up.
225	Avoidance of attachments, etc.
228	Actions stayed on winding-up order.
229	Effect of winding-up order.
251	Power to stay winding-up.
263	Power to summon persons suspected of having property of company, etc.
266	Power to arrest absconding promoters, officers and contributors.
309	Debts of all descriptions may be proved.
310	Application of bankruptcy rules in winding-up of insolvent companies.
311	Preferential payments (except subsection (6) thereof).
312	Fraudulent preference.
313	Liabilities and rights of certain fraudulently preferred persons.
314	Effects of floating charge.
315	Disclaimer of onerous property in case of company wound-up.
316	Restriction of rights of creditor as to execution or attachment in case of company being wound up. (Except proviso (i) to subsection (1) thereof.)
317	Duties of court as to goods taken in execution.
318	Offences by officers of companies in liquidation.
319	Penalty for falsification of books.
320	Fraud by officers of companies which have gone into liquidation.

SCHEDULE—*continued*

<i>No. of Section</i>	<i>Description of Section</i>
321	Officers of company failing to account for loss of part of company's property.
322	Liability where proper accounts not kept.
323	Responsibility for fraudulent trading of persons concerned.

## PART II

For the purpose of this Act, the provisions of the Companies Act mentioned in Part I of this Schedule shall have effect as if for reference to “company”, “court”, “commencement of the winding-up”, “winding-up order”, “contributory” and “director, manager or other officer” there were substituted references to “society”, “Registrar”, “the date of dissolution”, “order for the cancellation of the registration of a society”, “member of a society” and “officer or manager of a society” respectively.

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**CHAPTER 490**  
**CO-OPERATIVE SOCIETIES ACT**  
SUBSIDIARY LEGISLATION

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*List of Subsidiary Legislation*

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**CO-OPERATIVE SOCIETIES RULES, 2004**

## ARRANGEMENT OF RULES

*Rule*

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5. Certificate of registration.
6. Notification of refusal to register a society.
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8. Amendment of by-laws.
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41. Register and chronological index.
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SCHEDULE – FORMS

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**CO-OPERATIVE SOCIETIES RULES, 2004**

[L.N. 123/2004, L.N. 3/2008.]

**1. Citation**

These Rules may be cited as the Co-operative Societies Rules, 2004 and shall come into operation on the 5th November, 2004.

**2. Interpretation**

In these Rules, unless the context otherwise requires—

“**Board**” means the Board of Representatives of a co-operative union or apex society established under rule 24;

“**Committee**” has the meaning assigned to it under section 2 of the Act;

“**Fund**” means the Management and Supervision Fund established by rule 18;

“**liquidation account**” means the Co-operative Societies Liquidation Account established by rule 49;

“**register**” means the register of co-operative societies kept under rule 3;

“**supervisory committee**” has the meaning assigned to under section 2 of the Act.

**3. Register of co-operative societies**

(1) The Commissioner shall keep or cause to be kept at his 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 Commissioner and shall be signed by him and every alteration, interlineation or erasure shall be initialed by the Commissioner.

**4. Application for registration**

An application for the registration of a society under section 6 of the Act shall be made to the Commissioner in Form I set out in the Schedule to these Rules and shall be accompanied by an appraisal in writing of the viability of the society and a non-refundable fee of five hundred shillings.

**5. Certificate of registration**

Upon registration of a society and payment of a fee of three thousand shillings, the Commissioner shall forward to the society—

- (a) a certificate of registration in Form IIA set out in the Schedule to these Rules or certificate of provisional registration in Form IIB, as the case may be;
- (b) a copy of the by-laws of the society as registered by him and certified under his hand as having been registered by him;
- (c) a copy of the Act and the Rules made thereunder;
- (d) a copy of the application for registration.

**6. Notification of refusal to register a society**

(1) Where the Commissioner refuses to register a proposed society or its by-laws, he shall give the applicants his reasons in writing for such refusal within sixty days of the refusal.

**[Subsidiary]**

(2) A person aggrieved by the Commissioner's refusal under sub-rule (1) may appeal against the refusal to the Minister on paying a filing fee of one thousand shillings.

**7. Power to make by-laws**

(1) A co-operative society shall make by-laws in respect of 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 purposes to which its funds 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 obligations of members, including the minimum share-holding and produce delivery;
- (j) the transfer of the shares or interests of the members;
- (k) the manner of raising funds, including the maximum rate of interest 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 the provisions of these Rules.

(2) If the objects 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 loans and advances may be made to members including—

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

**8. Amendment of by-laws**

(1) Any amendment of the registered by-laws of a co-operative society under section 8 of the Act shall be made by a resolution of members at general meeting in respect of which at least fifteen clear days notice of the proposed amendment shall have been given to the members of the society.

[Subsidiary]

(2) No resolution under sub-rule (1) shall be valid and effective unless—

- (a) in the case of a co-operative society with unlimited liability, half of the members of the society are present at the meeting and three quarters of them vote in favour of the resolution; or
- (b) in the case of a co-operative society with limited liability, a majority of the members of the society present at the meeting or in writing vote in favour of the resolution:

Provided that when written votes are used, the following conditions shall apply—

- (i) all members of the society shall have been sent by the secretary or manager of the society voting papers to enable the members within reasonable time before the meeting to record their votes and return them to the secretary or manager; and
- (ii) the votes shall have been examined, counted and the results notified to members by the Committee.

(3) When in pursuance of the provisions of section 8(2) of the Act, amendment is sent to the Commissioner, it shall be accompanied by a certification in Form III set out in the Schedule to these Rules together with a copy of the amendment in quadruplicate.

(4) Upon registration of such amendment of by-laws, the Commissioner shall issue a copy duly signed by him on payment of a fee of one thousand shillings.

### 9. Membership of society

(1) No co-operative society shall fix any limit to the number of its members.

(2) Any member of a co-operative society who ceases to qualify for membership of the society under section 14 of the Act, or under these Rules or the by-laws of the society, shall forthwith cease to be a member of the society and the Committee shall direct the secretary or manager to strike his name off the register of members.

### 10. Transfer of shares

(1) Subject to the provisions of section 20 of the Act and sub-rule (3) of this Rule, and subject to the approval of the Committee, a member may transfer his share or 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.

(2) No transfer of a share in a co-operative society shall be valid and effective until such transfer has been recorded in the register of the society.

(3) No transfer of a share or shares in a co-operative society shall be valid and effective if made by a member indebted to a society whether such debt is due for payment or not.

(4) When for any reason other than death, a member of a co-operative society registered with limited liability holding deposit from non-members ceases to be a member, he may, subject to section 20 of the Act, transfer his share or shares in such society to another member, or to a proposed member approved by the Committee of such society, but he shall not be entitled to repayment from the society of any money paid by him in respect of such share or shares.

### 11. Rights of a member

Subject to the provisions of the Act, these Rules and the registered by-laws of the co-operative society, a member of a society may transfer his membership to another registered society.

[Subsidiary]

**12. Approved budget**

No society shall operate without a budget approved by a general meeting.

**13. Books to be kept by a registered society**

(1) A co-operative society shall keep up-to-date and in proper businesslike manner such accounts and such books as the Commissioner may from time to time direct either generally or in respect of any particular society or class of societies.

(2) Notwithstanding the provisions of sub-rule (1), every 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 membership;
  - (iii) the date on which he ceased to be a member;
  - (iv) the appointment, if any, of his nominees in accordance with rule 32 of these Rules;
- (b) a minute book giving details of the proceedings at general meetings;
- (c) a minute book giving details of the proceedings at Committee meetings;
- (d) a cash book showing details of all moneys received and expended or paid out in any way by the society;
- (e) a ledger containing such accounts as are necessary to properly record the transactions of the business;
- (f) a personal ledger showing transactions of each member with the society including details of produce delivered to the society by each member and the payment made therefor;
- (g) an assets register;
- (h) a stock control ledger;
- (i) a register of charges showing in respect of every charge created by the society the amount of the charge and the person entitled thereto;
- (j) 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;
- (k) a ledger showing deposits and withdrawals by members; and
- (l) such other books as the Committee may decide or the Commissioner may prescribe.

**14. Annual returns**

The annual return required to be filed pursuant to section 25 of the Act, shall be in Form IVA set out in the Schedule to these Rules and shall be filed with the Commissioner within four months after the closure of the financial year.

**15. Display of audited accounts**

Every co-operative society shall cause its audited accounts to be displayed in a conspicuous place at its registered office and branches at least two weeks before presentation of the accounts to its members at the general meeting.



**16. Approval of auditors**

(1) A person qualified under the Accountants Act (Cap. 531) wishing to be considered to audit co-operative societies shall make an application in writing to the Commissioner and shall pay a fee of three thousand shillings and such application may be made annually.

(2) The Commissioner may cause the list of auditors approved to audit co-operative societies to be published in the *Kenya Gazette*.

**17. Submission of audited accounts to Commissioner**

(1) The audited accounts required to be submitted to the Commissioner pursuant to section 25(7) of the Act shall be in six copies and shall—

- (a) have the following minimum disclosures—
  - (i) correct name of the society as registered must appear on all accounts along with its registration number;
  - (ii) share capital disclosed separately;
  - (iii) statutory reserve computed separately;
  - (iv) one total only disclosed for each main group of assets and liabilities;
  - (v) specified loans as short term if repayment period is less than five years and long term if repayment period is more than five years;
  - (vi) provision for dividends, bonus or honorarium disclosed under current liabilities;
  - (vii) a detailed schedule of depreciation of fixed assets under “notes to accounts”;
  - (viii) details of all investments disclosed under “notes of accounts”;
  - (ix) stocks and cash balances stated indicating whether verified or otherwise;
  - (x) the balance sheet signed by the Chairman and two other Committee members;
  - (xi) separate accounts prepared in respect of each activity;
  - (xii) no material amount written off except with a resolution of the general meeting of the society accompanied by a satisfactory explanation;
- (b) include a statement of management responsibility; and
- (c) be submitted together with—
  - (i) an extract of minutes of the general meeting in support of appointment of the auditor; and
  - (ii) a banker’s cheque of the relevant audit and supervision fee.

(2) The audited accounts shall be read together with Commissioner’s comments thereon, if any.

[L.N. 3/2008.]

**18. Establishment of the Fund**

(1) There is hereby established a fund to be known as the Management and Supervision Fund and every registered society shall, unless exempted in writing by the Commissioner, pay into it annually an audit and supervision fee.

(2) The Commissioner shall administer the Fund and the balance of the Fund shall be kept with the accounting officer who shall be authorized to accept receipts and to make payments in accordance with the provisions of these Rules:

Provided that the accounting officer shall not make any payment from the Fund unless he holds a cash balance on behalf of the Fund sufficient to cover the payment.

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**[Subsidiary]**

- (3) The receipts to the Fund shall consist of—
- (a) fees under sub-rule (1) as fixed by the Commissioner for the better carrying out of the provisions and purposes of section 25 of the Act;
  - (b) ten *per centum* of the audit fees paid by the society to the auditor in respect of the annual accounts in question; and
  - (c) fees paid under rules 16 and 17(2).
- (4) Expenditure charged to the Fund may include expenditure for—
- (a) purchases of specialized stationery, office machinery and equipment for use by the Commissioner in the administration of co-operative societies and the Fund;
  - (b) repairs of office machinery and equipment purchased from the Management fund;
  - (c) temporary extra clerical assistance, authorized by the Commissioner as necessary from time to time in connection with the audit and supervision of co-operative societies;
  - (d) payment of professional audit fees which shall be subsequently recovered wholly or in part from co-operative societies concerned;
  - (e) liquidation expenses including legal fees and costs where no moneys are available to the liquidator and where in the opinion of the Commissioner such expenditure should be incurred for the proper carrying out of the liquidation; and
  - (f) any other expenditure approved by the Treasury including the investment of funds surplus to requirements.

**19. Accounts of the Fund**

- (1) Fifty per cent of the annual receipts received by the Fund shall be payable half yearly to the Government as appropriations-in-aid.
- (2) All expenditure from the Fund shall be supported by vouchers and authorized by the Commissioner in the same manner as for other Government expenditure.
- (3) The Fund shall be audited annually by the Controller and Auditor General.

**20. Quorum at general meetings**

- (1) The quorum of general meetings of a co-operative society shall be as laid down in the by-laws.
- (2) Where a meeting is convened by the Commissioner under provisions of section 27(8) of the Act, members present at such meetings shall be deemed to constitute a quorum.

**21. Presiding over general meetings**

- (1) At all general meetings of a co-operative society the Chairman or in his absence the vice chairman or such other person as provided for in the by-laws shall preside and in their absence, any person elected by a majority of those present shall preside.
- (2) The Commissioner or his representative may preside at any meeting convened under the provisions section 27(8) of the Act but shall not be entitled to vote.

**22. Voting at general meetings**

- (1) Unless otherwise provided for in the Act, these Rules or by-laws of a co-operative society, any question referred to the members present at a meeting shall be decided by a majority of votes.

[Subsidiary]

(2) The Chairman shall declare whether every resolution put to the vote has been carried or lost and shall cause an entry to that effect to be made in the minute book of the society which when signed by him shall be conclusive evidence of anything contained therein.

(3) The Chairman shall have one vote only and no casting vote.

(4) A resolution on which the voting is equal shall be postponed to a subsequent meeting.

### 23. Conduct of affairs of a Committee

(1) The majority members of a Committee may for good cause suspend the Committee member subject to ratification by a general meeting.

(2) If during the term of office of a committee, a vacancy occurs in the Committee, the Committee shall, if the number of members drop below five, co-opt a member of the society to serve on the Committee until the next general meeting of the society.

(3) Elected members of a Committee shall be removed only by a two-thirds majority of members of the society present and voting at a general meeting.

(4) If a general meeting removes a member of a Committee, it shall forthwith elect a new member who shall hold office for the remainder of the term of the member so removed and where the entire committee is removed from office, the general meeting may decide to elect or fix a day for election of an interim committee of not more than five members to hold office for a period not exceeding ninety days.

(5) The quorum at a Committee meeting shall be as laid down in the by-laws.

(6) The Committee of a registered society shall hold regular meetings at which—

(i) the minutes of its previous meeting shall be considered and confirmed;

(ii) the accounts, bank books and cash in hand shall be scrutinized and checked, and the Committee's observations thereon recorded in the minutes;

(iii) any current business shall be considered.

(7) A person elected into a Committee of a co-operative union or apex society on the basis of his elected position at the affiliate primary co-operative society shall cease to be a Committee member of the co-operative union or apex society upon being replaced or voted out at the primary co-operative society.

[L.N. 3/2008.]

### 24. Board of Representatives

(1) Every co-operative union and apex society shall have a Board of Representatives consisting of at least one delegate from each affiliated society elected at its annual general meeting.

(2) No member serving on the Committee of a co-operative union may be elected to serve on the Board.

(3) A chairman shall be chosen for each meeting from amongst the representatives in attendance at the meeting.

(4) Every representative shall hold office until the next annual general meeting after his election but shall be eligible for re-election.

(5) If during the currency of office of the Board a vacancy occurs such vacancy may be filled by a nominee of the committee of the affiliated society concerned.

**[Subsidiary]**

(6) The quorum at Board meetings shall be two-thirds of the total number of representatives.

**25. Duties and powers of the Board**

The Board shall be empowered to give directions in regard to the business of a co-operative society to the extent that it shall have authority to convene a special general meeting of the society when in disagreement with its Committee.

**26. Meetings of the Board**

(1) The Board may hold a regular quarter yearly meeting at which the minutes of the previous meeting shall be considered and confirmed.

(2) The secretary of the co-operative society shall be secretary at all Board meetings.

(3) The Committee of the co-operative society shall send to each member of the Board agenda and minutes of all meetings of the registered society and communications in respect thereof.

(4) The Board shall send to the Committee of the registered society agenda and notice specifying date, hour and place of board meetings and may require the attendance of the Committee or any officer of the co-operative society at such meetings.

(5) The Board shall send to the Commissioner or his representative at the proper time, notice and agenda of every meeting, all minutes and communications in respect thereof and its recommendations, if any.

**27. Appointment and duties of manager and other employees**

(1) Where a co-operative society, pursuant to section 27(5) of the Act, employs a manager, his duties shall include—

- (a) general management of the society;
- (b) maintenance and custody of society books, accounts, assets, registers, certificates, society seal, cheque books and other accountable documents; and
- (c) counter-signing societies' cheques, contracts and other documents.

(2) All employees of a co-operative society shall be appointed in accordance with the terms and conditions of service approved by the Commissioner.

(3) The Committee of a co-operative society may, if it deems it fit, require the manager any other officer, on appointment, to give such security as it may determine.

**28. Supervisory committee**

(1) Every society shall have a supervisory committee consisting of three members each elected at a general meeting for a period of three years and one member of the supervisory committee shall retire annually.

(2) Notwithstanding the provision of sub-rule (1), any member of the supervisory committee may be removed by a resolution of a general meeting.

(3) The duties of the supervisory committee shall include—

- (a) verification of all transactions of the society;
- (b) writing periodic reports of its findings to be tabled at management committee meetings;
- (c) submission of its reports to the Commissioner;
- (d) presenting its reports to the general meeting.

[Subsidiary]

(4) Notwithstanding the provisions of sub-rule (3), the supervisory committee shall not perform the duties or exercise any of the powers of the Committee of the society.

**29. Committee members to file indemnity**

(1) Every Committee member shall, pursuant to section 27(b) of the Act, file an indemnity in Form V set out in the Schedule to these Rules whose amount shall be determined by the general meeting and which shall be lodged with the Commissioner within fourteen days of his election to the Committee.

(2) A Committee member who fails to comply with the requirements of this rule shall automatically cease to be a member of the Committee.

**30. Society to have first charge**

Where a society intends to exercise its right of set-off under section 34 of the Act, the society shall give fourteen days' notice of such intention to the member or past member concerned.

**31. Authorization of deductions**

Pursuant to section 35(1) of the Act, every—

- (a) member of a co-operative society may fill a deduction authorization form in Form VIA set out in the Schedule to these Rules;
- (b) co-operative society receiving deductions from employers shall file monthly remittance returns to the Commissioner not later than the 15th day of every month in Form VIB set out in the Schedule to these Rules.

**32. Appointment of nominees**

(1) Every member of a society may appoint his nominee or nominees for the purposes of section 39 of the Act.

(2) No member of a co-operative society shall be entitled to appoint more than one nominee unless that member holds more than one share.

(3) Where more than one nominee is appointed by any member, the number of shares to be transferred to each of these nominees shall be specified at the time of the appointment.

(4) Every appointment of a nominee by any member of a co-operative society shall be made in writing and signed by the member in the presence of two witnesses and shall be in Form VII set out in the Schedule to these Rules.

(5) Every appointment of nominee shall be acknowledged by the society.

(6) For the purpose of transfer to a nominee, the value of any share or interest shall be represented by the sum actually paid for that share or interest by the member holding it unless the by-laws of the society otherwise provide.

(7) Where the deceased member is in credit with the society, any nominee under this rule may be paid all dues on evidence of death being produced without awaiting lawful administration of the estate.

(8) Where any money is paid to a nominee who is a minor, a receipt given either by the minor or by his guardian shall be sufficient discharge to the society.

(9) If for any reason on the death of a member a nominee does not exist, the society may pay any money due to the deceased member to the personal representative or recognized heirs of that deceased member.

**[Subsidiary]**

(10) In the event of any person so nominated dying or of the member desiring to cancel any such nomination, the member may from time to time nominate in writing another person in the same manner, and the necessary alteration shall be made in the register of members.

**33. Copies of entries**

For the purpose of section 40 of the Act a copy of an entry in any book of a co-operative society may be certified as a true copy of such entry by the Chairman and one other officer authorized by the Committee.

**34. Limitation of borrowing powers**

(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) Notification of the maximum liabilities fixed shall be sent to the Commissioner in Form VIII set out in the Schedule to these Rules.

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

(4) Any member of the society may appeal against the decision of the Commissioner made under sub-rule (3) to the Minister within thirty days of such decision.

**35. Restriction on borrowing**

A co-operative society other than a society with authorization under these Rules to operate front office services, may receive deposits and loans from persons who are not members 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 interest are reasonable;
- (c) repayment of the deposit or loan is secured to the satisfaction of the general meeting;
- (d) the maximum liability fixed under rule 34 of these Rules is not exceeded; and
- (e) the general meeting has given specific approval for the deposit or loan.

**36. Investment of society funds**

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.

**37. Duty to maintain reserve fund**

(1) Every co-operative society shall pay into the reserve fund maintained in pursuance to the provisions of section 47 of the Act, one-fifth of any net surplus resulting from the operations of the society during a financial year.

(2) The reserve fund of a society shall be invested or deposited in the manner provided for in section 45 of the Act and these Rules.

(3) No withdrawals shall be made from the reserve fund of a co-operative society without the consent in writing of the Commissioner and any such withdrawals shall be made good from the net available funds accruing to the society if the Commissioner so directs.

[Subsidiary]

(4) The reserve fund shall be indivisible and no member shall be entitled to claim a specified share of it.

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

(6) The society shall cause an annual audit of the reserve fund account.

### **38. Application of reserve fund**

(1) On the dissolution of a co-operative society the assets represented by the reserve fund shall be applied in the discharge of the liabilities of the society.

(2) Any assets that may remain after discharging the liabilities of the society, including repayment of share capital representing a balance of the reserve fund, may be applied to some object of local or public utility as may have been selected by a general meeting of the society:

Provided that—

- (i) if within three months of the dissolution of the society a general meeting fails to select an object, the Commissioner shall cause the funds to be deposited in a bank and on the registration of a new society in substantially the same area as that in which the dissolved society operated, the Commissioner may credit all or part of the funds to the new society; and
- (ii) if within a period of three years from the date of deposit of the funds in a bank no such new co-operative society is formed, the Commissioner may apply the funds to an object of local or public utility to be approved by the Minister.

### **39. Loans to members**

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

### **40. Form of particulars of charge**

The particulars of charge required to be filed pursuant to section 51 of the Act shall be in Form IX set out in the Schedule to these Rules and shall be accompanied by the instrument creating the charge or a copy thereof, certified to be a true copy under the seal of the society or under the hand of some person interested therein otherwise than on behalf of the society.

### **41. Register and chronological index**

The register and chronological index required to be kept pursuant to section 52(4) of the Act shall be in Form XA and Form XB respectively set out in the Schedule to these Rules.

### **42. Certificate of registration of charges**

Upon registration of a charge, the society shall be issued with a certificate of registration of a charge as set out in Form XI set out in the Schedule to these Rules upon payment of a fee of two thousand five hundred shillings.

### **43. Certificate of satisfaction of charges**

The certificate of satisfaction of charges shall be in Form XII set out in Schedule to these Rules.

[Subsidiary]

**44. Remuneration of a receiver or manager**

Where a receiver or manager is appointed pursuant to section 54 of the Act, the Commissioner shall determine his remuneration.

**45. Inspection of documents**

(1) The by-laws, annual returns, audited accounts and balance sheets of every co-operative society and the register of charges shall be open to the public for inspection at the office of the Commissioner, on payment of a fee for one thousand shillings for each inspection.

(2) For every inspection made pursuant to section 57(1) of the Act the fee payable shall be one thousand shillings.

(3) The Commissioner shall upon request and on payment of a fee to be determined by him and not exceeding two thousand shillings for each copy, supply certified copies of the by-laws, annual returns, audited accounts and balance sheet of a co-operative society.

**46. Inquiry by the Commissioner**

(1) Any inquiry held pursuant to section 58 of the Act shall not be conducted continuously for a period exceeding sixty days.

(2) The Commissioner, may pursuant to section 58(4) of the Act, appoint a chairman of the interim Committee.

(3) The Committee shall implement the inquiry report and prepare for society elections.

(4) A copy of the inquiry report may be issued on application therefore and upon payment of a fee of two thousand shillings.

(5) A person may appeal to the Minister against the rejection of his application for copy of an inquiry report within thirty days of such refusal and a fee of one thousand shillings shall be paid on the filing of such an appeal.

**47. Impromptu inspections**

Where the Commissioner exercises powers pursuant to section 60A of the Act a report of the inspection shall be filed with the management Committee within fourteen days of the conclusion of the inspection and the Committee shall act in accordance with the recommendations, if any.

**48. Publication of notice requiring claims to be submitted to the liquidator**

A liquidator appointed under section 65 of the Act shall publish in the *Gazette* and in at least one newspaper circulating in the area in which the society whose registration has been cancelled, operates, a notice requiring claims against such society to be submitted to him within two months from the date of such publication.

**49. Liquidation account**

(1) There is hereby established an account to be known as the Co-operative Societies Liquidation Account which shall be administered by the Commissioner or his representative.

(2) The following shall be paid into the liquidation account—

- (a) all moneys realized in the liquidation where a bank account does not exist at the commencement of the liquidation;
- (b) any unpaid claims on closure of a liquidation; and
- (c) any surplus balance on closure of a liquidation.



(3) The following may be paid from the liquidation account—

- (a) claims, previously unpaid, subject to certification by the Commissioner or a person nominated by him for the purpose, within a period of two years from the date of the closure of liquidation;
- (b) distribution in any liquidation under paragraph (a) of this sub-rule.

(4) The Commissioner may authorize, after the expiration of two years from the date of closure of any liquidation, payment of balances of unpaid claims and surpluses from the liquidation account into the Fund.

#### **50. Investment in non-core business**

No co-operative society shall invest its funds in non-core business, except with the approval of the Commissioner and by the general meeting through a special resolution.

#### **51. Suspension of operations**

(1) Where upon inspection or inquiry, the Commissioner considers that a co-operative society accepting deposits from its members is bankrupt or insolvent, or that it has willfully violated the Act, or is operating in an unsafe or unsound manner, the Commissioner may issue an order temporarily suspending such operations for a period not exceeding thirty days.

(2) The Committee shall be given written notice of the suspension, which shall include a list of the reasons for the suspension and upon receipt of the notice, the society shall cease all operations, except those allowed by the Commissioner.

(3) The Committee may within the time specified by the Commissioner, show cause why the suspension of its operations should not continue.

(4) The Committee may request for a hearing and may present its proposals to remedy the situation in order to resume operation of taking deposits from members.

(5) Upon receipt of evidence that the conditions causing the suspension have been corrected, the Commissioner may revoke the suspension and permit the society to resume normal operations.

(6) If the Commissioner after providing an opportunity for a hearing, rejects the society's plan to continue operation, he may issue an order of involuntary liquidation and appoint a liquidator and where the society fails to answer the suspension notice or to request a hearing within the prescribed time, the Commissioner may issue an order of involuntary liquidation and appoint a liquidator and liquidate the society.

#### **52. Establishment of front office**

(1) Every co-operative society operating or intending to operate front office services, shall after a resolution of the general meetings apply in writing to the Commissioner for authorisation.

(2) In considering an application for authorization made under sub-rule (1), the Commissioner 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;

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**[Subsidiary]**

- (g) liability; and
  - (i) such other factors as may be necessary.
- (3) All co-operative societies operating front office services shall—
- (a) maintain a minimum liquidity at ten per cent of the deposits;
  - (b) maintain a minimum capital adequacy and reserves at ten *per centum* of its total liabilities;
  - (c) maintain such other prudential standards as may be directed by the Commissioner in writing from time to time;
  - (d) make provision 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 such guidelines as may be prescribed by the Commissioner.
- (5) The Commissioner may—
- (a) require a co-operative society to submit statistics regularly; and
  - (b) collect such data and other information as may be necessary for the protection of members funds.

**53. Inspection of front office**

(1) The Commissioner may of his own accord, and, shall on the so directing of the Minister, cause a front office operation to be inspected by any person authorized by him in writing, on any co-operative society and of its books, accounts and records.

(2) When an inspection is made under sub-rule (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 the Rules and by-laws made under the Act.

(4) The person carrying out an inspection shall submit his report to the Commissioner; and the report shall draw attention to any breach or non-observance of the requirements of the Act, rules and by-laws made thereunder any irregularity in the manner of conduct of the business of the co-operative 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.

**54. Remedial measures**

(1) If, at any time, the Commissioner has reason to believe that the business of a co-operative society is being conducted in a manner contrary to or not in compliance with the requirements of the Act or these rules or in a manner detrimental to the interests of its members, the Commissioner may—

- (a) make recommendations to the co-operative society with regard to the conduct of its business generally;
- (b) issue directives regarding measures to be taken to improve the management or business methods of the co-operative society or to secure or improve compliance; or

Co-operative Societies

[Subsidiary]

- (c) appoint a person suitably qualified and competent, to advise and assist the society generally or for the purposes of implementing any directions under paragraph (b) and such officer shall be paid from the funds of the society.

55. Revocation of L.N. 157/1998

The Co-operative Societies Rules, 1998 are revoked.

SCHEDULE

Form I

(Rule 4)

CO-OPERATIVE SOCIETIES ACT

APPLICATION FOR REGISTRATION OF A CO-OPERATIVE SOCIETY

To: The Commissioner for Co-operative Development
P.O. Box 40811
Nairobi

- 1. Name of proposed co-operative society .....
- 2. Area of operation .....
- 3. Type of society .....
- 4. Whether limited or unlimited liability is desired .....
- 5. Language in which the books and account will be kept .....
- 6. Name of person appointed to perform the duties of the secretary of the society .....
- 7. Registered office and postal address of the society .....

We the undersigned hereby apply for the registration of the above society under the Act, and enclose four copies of the proposed by-laws in English.

Name	Occupation	Age	Address	Signature
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

Form IIA

(Rule 5)

CO-OPERATIVE SOCIETIES ACT

CERTIFICATE OF REGISTRATION

REGISTRATION No. ....

I hereby certify that the co-operative society under the name of .....

.....

Co-operative Societies

[Subsidiary]

SCHEDULE, Form IIA—continued

and its by-laws have this day been provisionally registered by me in the Register of Co-operative Societies, in pursuance to the provisions of the Act and the Rules made thereunder.

Given under my hand at Nairobi, this ..... day of ..... 20 .....

Commissioner for Co-operative Development

Form IIB

(Rule 5(a))

CO-OPERATIVE SOCIETIES ACT

CERTIFICATE OF PROVISIONAL REGISTRATION

REGISTRATION NO. ....

I hereby certify that the Co-operative Society under the name of .....

and its by-laws have this day been provisionally registered by me in the Register of Co-operative Societies, in pursuance to the provisions of the Act and the Rules made thereunder.

Given under my hand at Nairobi, this ..... day of ..... 20 .....

Commissioner for Co-operative Development

Form III

(Rule 8(3))

CO-OPERATIVE SOCIETIES ACT

CERTIFICATE OF AMENDMENT OF BY-LAWS

We .....

Chairman and secretary of\* .....

Co-operative Society Limited hereby certify:

(i) that the enclosed amendment for the by-laws was made at a general meeting held on .....

(ii) that on that date there were ..... members' voted society of whom ..... were present in the meeting.

(iii) that ..... members voted for the amendment.

(iv) that proper notice of the meeting and the proposed amendment were issued to all members of the society.

\*\* (v) that a voting paper was duly issued to every member.

\*\*\* (vi) that the amendment has received the prior approval of the Commissioner for Co-operative Development.

Chairman

Date .....

Secretary

\* insert name of society.

\*\* to be deleted in all cases except those in which voting papers have been used by a society of limited liability.

\*\*\* delete if not applicable.

Co-operative Societies

[Subsidiary]

SCHEDULE, Form III—continued

Form IVA

(Rule 14)

CO-OPERATIVE SOCIETIES ACT

ANNUAL RETURN FOR THE YEAR .....

(To be submitted within four months of the end of the financial year)

- 1. Name of the co-operative society .....
- 2. Registration number ..... Date of registration .....
- 3. Registered address .....
- 4. Type of society .....
- 5. The liability of members is \* .....
- (a) limited to the nominal value for each share held;
- (b) limited to ..... times the nominal value of each share held;
- (c) unlimited.
- 6. The number of members of the society is .....
- 7. The number of shares issued is .....
- 8. The nominal value of one share is KSh. ....
- 9. The maximum liability which the society may incur in loans or deposits is KSh. ....
- 10. The total indebtedness of the society secured by registered charges is KSh. ....
- 11. The date the last annual general meeting was held .....
- 12. Particulars of offices for the financial year from ..... to .....

are as follows:

<i>Title of Office</i>	<i>Name of Holder</i>
Chairman .....	.....
Vice-Chairman .....	.....
Committee members:	
(a) .....	.....
(b) .....	.....
(c) .....	.....

- 13. A certified true copy of the audited accounts and balance sheet is filed herewith.

Dated this ..... day of ....., 20 .....

(Signed) .....

Secretary/Manager

\* Delete as necessary.

Form V

(Rule 29(1))

CO-OPERATIVE SOCIETIES ACT

INDEMNITY TO A CO-OPERATIVE SOCIETY

To: .....  
.....  
.....

In consideration of your giving or continuing to give an indemnity of ..... KSh I..... jointly and severally for myself and my legal personal representatives, successors and assigns hereby:

- (a) agree to keep you indemnified against all actions, proceedings, liability, claims, losses, damages, costs and expenses arising from action and omissions as a consequence of my role in the mismanagement of the resources of the co-operative society in my capacity as a member of the Committee/Board;

Co-operative Societies

[Subsidiary]

SCHEDULE, Form V—continued

- (b) irrevocably authorise you to offset the liability, losses, damages, costs and expenses by attaching my shares, deposits, personal property and other personal assets without prior reference to me;
- (c) irrevocably authorise you to make any payments and comply with any demands which may be claimed from or made upon you under the said indemnity without any further reference to or further authority from me and agree that it shall not be incumbent upon you to inquire whether or not any dispute exists between myself and the beneficiary of the said indemnity and further agree that any payment in accordance or purporting to be in accordance with the said indemnity shall be binding on me and shall be accepted by me as conclusive evidence, that you were liable to make such payments or comply with such demands and further that you may at any time determine the said indemnity; and
- (d) irrevocably authorize you to—
  - (i) debit my share/deposit account with KSh. .... and to hold this amount as security margin against your liability under the said indemnity until such time as the same may discharge;
  - (ii) and/or agree to undertake to deposit with you upon request made by you at any time until the same indemnity shall have been released such or other securities as may be acceptable to you in full or part of your liability under the same indemnity.

Signed this ..... day of ....., 20 .....

Deponed by me, .....

Before .....

*Commissioner for Oaths.*

Form VIA

(Rule 31(a))

CO-OPERATIVE SOCIETIES ACT  
DEDUCTION AUTHORIZATION FORM

To: .....

.....

..... (employer)

Date .....

DEDUCTIONS FROM MY SALARY/PROCEEDS

I ..... I.D. No. .... P/No. ....  
 of P.O. Box ..... hereby authorize you to make  
 deductions from my salary/proceeds of KSh. .... to be remitted to .....  
 ..... Co-operative Society Ltd. to be credited towards my shares account. From time to time  
 the said society may advise you on any other deductions. The society's instructions shall be taken  
 as if given under my hand. These instructions shall remain in force unless altered by me in  
 concurrence with the said society.

Given under my hand this ..... day of ....., 20 .....

<i>Name</i>	<i>I.D. No.</i>	<i>Signature</i>
Cc: Chairman,		
..... Co-operative Society Ltd.,		
P.O. Box .....		
.....		

Co-operative Societies

[Subsidiary]

SCHEDULE, Form VIA—continued

Form VIB

(Rule 31(b))

CO-OPERATIVE SOCIETIES ACT  
REMITTANCE RETURNS

To: The Commissioner of Co-operative Development,  
P.O. Box 40811,  
Nairobi.

- 1. Name of the co-operative society .....
- 2. Registration number .....
- 3. Type of society .....
- 4. Province/district .....
- 5. Name of employer .....
- 6. Last payroll deduction remitted ..... (month and year)
- 7. Number of months in arrears .....
- 8. Amount expected for current payroll deduction KSh. ....
- 9. Amount remitted as per (8) above KSh. ....
- 10. Shortage excess (8-9) KSh. ....
- 11. Amount outstanding with employer (cumulative) KSh. ....

Dated ..... Signed .....  
Chairman/Manager

Form VII

(Rule 32(4))

CO-OPERATIVE SOCIETIES ACT  
NOMINATION FORM

To: The Chairman,  
..... Co-operative Society Ltd.,  
P.O. Box .....

I ..... I.D. No. .... of Post Office  
Box .....  
member of ..... Co-operative Society Ltd;  
being member No. .... hereby nominate the following nominee(s) to inherit  
my shares or interest in the said Society in the following manner—

Name of nominee(s)	Relationship	% of Share/Interest
1.		
2.		
3.		
4.		
5.		
6.		

Witnessed by:

- 1. .... I.D. No. ....  
Address ..... Signature .....

Co-operative Societies

[Subsidiary]

SCHEDULE, Form VII—continued

2. I.D. No.

Address Signature

Given under my hand this day of , 20

Signature

Form VIII

(Rule 34(2))

CO-OPERATIVE SOCIETIES ACT

NOTIFICATION OF LIMITATION OF BORROWING POWERS

To: The Commissioner for Co-operative Development, P.O. Box 30547, Nairobi.

Name of the co-operative society

Registration Number

This is to inform you that at a duly convened annual general meeting of the above society held on the day of , 20 the following resolution was passed:

That the maximum liability which the society may incur in loans or deposits from non-members shall be shillings (in words) on the date of the annual general meeting of members the society had fully paid members and there were members present at the meeting of whom voted in favour of the resolution and against.

I hereby certify that the particulars contained above are correct.

Signed

Secretary/Manager

Date

Form IX

(Rule 40)

CO-OPERATIVE SOCIETIES ACT

PARTICULARS OF CHARGE CREATED BY A CO-OPERATIVE SOCIETY

To: The Commissioner for Co-operative Development, P.O. Box 30547, Nairobi.

Name of the co-operative society

Registration Number

Date and description of the instrument creating or evidencing the mortgage or charge

Amount secured by the mortgage or charge KSh.

Short particulars of the property mortgaged or charged:

Land registry particulars:



Co-operative Societies

[Subsidiary]

SCHEDULE, Form IX—continued

Name, addresses and description of the mortgages or persons entitled to the charge:

.....  
.....  
.....

Dated this ..... day of ....., 20 .....

.....  
Secretary/Manager

Form XA

(Rule 41)

CO-OPERATIVE SOCIETIES ACT

REGISTER OF CHARGES

Name of the co-operative society .....

Registration number .....

Date of charge .....

Date of acquisition of property .....

Amount secured by charge .....

Particulars of properties charged .....

Person entitled to charge .....

Date of resolution authorizing issue of series debentures: .....

Date of covering deed .....

Names of trustees of debenture holders: .....

Date of registration ..... Signature .....

Memorandum of satisfaction .....

Date of discharge .....

Dated this ..... day of ....., 20 .....

.....  
Commissioner

Form XB

(Rule 41)

CO-OPERATIVE SOCIETIES ACT

CHRONOLOGICAL INDEX OF CHARGES

Serial No. ....

Register of charges folio No. ....

Date charged .....

Amount of charge .....

Particulars of charge .....

Person entitled to charge .....

Name of society creating the charge .....

.....

.....

Co-operative Societies

[Subsidiary]

SCHEDULE, Form XB—continued

Date of registration .....
Remarks .....

Form XI

(Rule 42)

CO-OPERATIVE SOCIETIES ACT
CERTIFICATE OF REGISTRATION OF A CHARGE

To: .....

Name of the co-operative society .....
Registration number .....
Date and description of the instrument creating or evidencing the mortgage or charge .....

Land Registry particulars:

Name, addresses and description of the mortgages or persons entitled to the charge:

Dated this ..... day of ....., 20 .....

Commissioner for Co-operative Development

Form XII

(Rule 43)

CO-OPERATIVE SOCIETIES ACT
CERTIFICATE OF SATISFACTION OF CHARGE

To: The Secretary,
..... Co-operative Society Ltd.,
P.O. Box .....

Name of the co-operative society .....
Registration number .....
Date and description of the instrument creating or evidencing the mortgage or charge .....

Co-operative Societies

[Subsidiary]

SCHEDULE, Form XII—continued

Amount secured by the mortgage or charge KSh. ....

Short particulars of the property mortgaged or charged:.....

.....

.....

Land registry particulars: .....

.....

.....

Name, addresses and description of the mortgages or persons entitled to the charge: .....

.....

.....

Date of discharge .....

Dated this ..... day of ....., 20 .....

.....  
Commissioner for Co-operative Development

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**CO-OPERATIVE TRIBUNAL (PRACTICE AND PROCEDURE) RULES, 2009**

ARRANGEMENT OF RULES

*Rule*

1. Citation.
  2. Interpretation.
  3. Saving of the inherent power of the Tribunal.
  4. Disregard of technicalities.
  5. Forms and fees.
  - 6.
  7. Powers of chairman and deputy chairman.
  8. Appeals.
  9. Statement of claim.
  10. Service of statement of claim.
  11. Interlocutory applications.
  12. Mode of service.
  13. List of documents.
  14. Setting down claim for hearing.
  15. Substitution and addition of parties.
  16. Hearing of claims.
  17. Setting aside judgement, order or award.
  18. Costs.
  19. Interest.
  20. Registers.
  21. Principal registry.
  22. Savings provisions.
  23. Amendment of rules.
-

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[Subsidiary]

## CO-OPERATIVE TRIBUNAL (PRACTICE AND PROCEDURE) RULES, 2009

[L.N. No. 59/2009.]

### 1. Citation

These Rules may be cited as the Co-operative Tribunal (Practice and Procedure) Rules, 2009.

### 2. Interpretation

In these Rules, unless the context otherwise requires—

“**chairman**” means the chairman of the Co-operative Tribunal;

“**Tribunal**” means the Co-operative Tribunal established under the Act.

### 3. Saving of the inherent power of the Tribunal

Nothing contained in these Rules shall limit or otherwise affect the inherent power of the Tribunal to make such orders as may be necessary for the ends of justice or to prevent abuse of the process of the Tribunal.

### 4. Disregard of technicalities

The Tribunal shall have power and discretion to decide all matters before it with due speed and dispatch without undue regard to technicalities of procedure.

### 5. Forms and fees

The Tribunal may prescribe such forms and fees as it may deem necessary, for purposes of these Rules.

### 6.

The provisions of the Civil Procedure Rules (Cap. 21, Sub. Leg.) shall apply in respect of the proceedings of the Tribunal.

### 7. Powers of chairman and deputy chairman

(1) The chairman or the deputy chairman shall have the power to give directions for—

- (a) furnishing of further particulars or supplementary statement;
- (b) filing and exchange of documents;
- (c) framing of issues, and

and other directions as are necessary to enable the parties to prepare for the hearing or to assist the Tribunal to determine the issues.

(2) The chairman or the deputy chairman, in matters before the Tribunal, shall have the same power as is vested in the Registrar or Deputy Registrar where similar matters are before the High Court and shall exercise the power, *mutatis mutandis*, in accordance with the Civil Procedure Rules (Cap. 21, Sub. Leg.).

### 8. Appeals

(1) Every appeal to the Tribunal shall be in the form of a memorandum of appeal signed in the same manner as a pleading.

[Subsidiary]

(2) The memorandum of appeal shall set forth concisely and under distinct heads the grounds of objection to the decision appealed against, without any argument or narrative, and such grounds shall be numbered consecutively.

(3) At the time of filing the memorandum of appeal or before setting down the appeal for hearing, the Appellant shall file a record of appeal in five sets and serve all parties. The record of appeal, properly indexed and paginated, shall contain—

- (a) the memorandum of appeal;
- (b) the inquiry order;
- (c) the inquiry and/or inspection report;
- (d) the minutes of the general meeting whose decision is appealed against;
- (e) the notice of intention to surcharge;
- (f) the surcharge order; and
- (g) any other relevant documents.

#### **9. Statement of claim**

A claim, other than an appeal under the Act, shall be instituted by way of a statement of claim signed by the claimant or his advocate or other duly authorized agent, setting out concisely the nature of the claim and the grounds upon which it is based, supported by a verifying affidavit signed by the claimant.

#### **10. Service of statement of claim**

(1) The statement of claim together with the verifying affidavit and summons to enter appearance shall be served on the respondent.

(2) The respondent shall file a memorandum of appearance within fifteen days of service with the documents stated under sub-rule (1) and a statement of defence within a further fifteen days.

#### **11. Interlocutory applications**

(1) All interlocutory applications made to the Tribunal shall be by Chamber Summons or Notice of Motion signed by the claimant, his advocate or a duly authorized agent, supported by an affidavit.

(2) A party served with a Chamber Summons or Notice of Motion may file a replying affidavit or grounds of opposition. However, any party who desires to be heard and appears to the Tribunal to be a proper party to be heard, may be heard, despite failure to file replying affidavit or grounds of opposition.

#### **12. Mode of service**

The mode of service shall, unless the Tribunal otherwise directs, be personal and in every case, an affidavit of service shall be filed as evidence of the service by an authorized process server.

#### **13. List of documents**

At the close of pleadings, every party to the claim shall within thirty days, or before setting down the suit for hearing, file with the Tribunal, five sets of all documents that the party intends to rely on and serve all the parties to the claim at least fourteen days before the hearing.

#### **14. Setting down claim for hearing**

The claimant may, at any time after close of pleadings, and upon giving reasonable notice to every respondent who has appeared, set the suit down for hearing.

[Subsidiary]

#### 15. Substitution and addition of parties

Subject to section 76 of the Act, the Tribunal shall have the discretion to add or strike out parties to the claim.

#### 16. Hearing of claims

At the hearing, the evidence shall be in narrative form but the Tribunal shall be at liberty to take down questions and answers verbatim.

#### 17. Setting aside judgement, order or award

A judgement, order or award made *ex parte* under this Rules may, on application, be set aside on such terms as may be just.

#### 18. Costs

Subject to any provisions of any law for the time being in force, the Tribunal shall have the power to determine the party or person to bear costs, or out of which property and to what extent, the costs shall be paid:

Provided that the costs of any claim or issue shall follow the event unless the Tribunal shall for good reason otherwise order.

#### 19. Interest

(1) Where and in so far as a decree is for the payment of money, the Tribunal may, in the decree, order interest at such rate as the tribunal deems reasonable to be paid on the principal sum adjudged from the date of filing the claim to the date of the decree, plus any interest accruing on the principal from the period before the institution of the suit, and on the aggregate sum so adjudged, such further interest from the date of the decree to the date of full payment or to such earlier date as the Tribunal thinks fit.

(2) Where such a decree is silent with respect to the payment of further interest on such aggregate sums as aforesaid from the date of the decree to the date of payment or other earlier date, the Tribunal shall be deemed to have ordered interest at the prevailing court rates.

#### 20. Registers

The Tribunal shall cause to be prepared a register with regard to any disputes or appeals before the Tribunal containing the following particulars—

- (a) the names of the parties;
- (b) the serial number;
- (c) date of claim or appeal;
- (d) the relief sought; and
- (e) the final determination or order and the date thereof.

#### 21. Principal registry

(1) The principal registry of the Tribunal shall be at Nairobi.

(2) There shall be provincial registries at Mombasa, Kisumu, Nakuru, Nyeri, Embu, Kakamega, Garissa and such other place as the Chairman in his discretion determine from time to time.

(3) The tribunal shall conduct sessions or hearings at the principal registry and any of the other registries.



**22. Savings provisions**

(1) All the proceedings pending before the Tribunal immediately before the commencement of these Rules may be continued and concluded as if they had been commenced under or by virtue of these Rules.

(2) Every decree, order or award of the Tribunal which immediately before the commencement of these Rules had not been executed or enforced shall be executed or enforced in the same manner as if it were a decree or order of the Tribunal made in accordance with these Rules.

**23. Amendment of rules**

These Rules may be amended from time to time as the Tribunal may direct.

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