

TO: SAVINGS AND CREDIT COOPERATIVE SOCIETIES

20 NOVEMBER 2018

**GUIDELINES FOR SAVINGS AND CREDIT COOPERATIVE SOCIETIES
(SACCO GUIDELINES)**

1. The above matter refers.
2. The Financial Services Regulatory Authority (the Authority) hereby extends its appreciation on the comments submitted on the SACCO Guidelines of 2018.
3. Please find enclosed the final SACCO Guideline of 2018 hereby issued in terms of section 6 of the Financial Services Regulatory Authority Act, 2010 which shall come into effect on the 1st January 2019.
4. Kindly note that the SACCO Guidelines of 2018 further comprises of the revised return templates which shall be submitted through the Bank Supervision Application (BSA) System for the respective reporting periods as of the year 2019.
5. Thanking you in advance for your usual cooperation.

Yours Truly,



Sandile S. Dlamini
Chief Executive Officer

GUIDELINES FOR SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

ISSUED UNDER THE FINANCIAL SERVICES REGULATORY AUTHORITY ACT, 2010

Issue Date: November 2018

NOTE

All inquiries regarding the content of this document should be directed to FSRA by email at info@fsra.co.sz or by phone at +268 2406 8000.

TABLE OF CONTENTS

INTRODUCTION.....	1
GUIDELINE 1: LICENSING	3
GUIDELINE 2: PERMISSIBLE ACTIVITIES.....	6
GUIDELINE 3: GOVERNANCE.....	7
GUIDELINE 4: TRANSACTIONS WITH RELATED PARTIES	13
GUIDELINE 5: CAPITAL ADEQUACY MANAGEMENT	14
GUIDELINE 6: RISK MANAGEMENT	16
GUIDELINE 7: CREDIT RISK MANAGEMENT	18
GUIDELINE 8: PROBLEM ASSETS, PROVISIONS, AND RESERVES.....	22
GUIDELINE 9: CONCENTRATION RISK AND LARGE EXPOSURE LIMITS	24
GUIDELINE 10: LIQUIDITY RISK MANAGEMENT.....	25
GUIDELINE 11: INVESTMENTS MANAGEMENT.....	27
GUIDELINE 12: INTERNAL CONTROL AND AUDIT	29
GUIDELINE 13: FINANCIAL REPORTING AND EXTERNAL AUDIT	30
GUIDELINE 14: ABUSE OF FINANCIAL SERVICES.....	32
GUIDELINE 15: MARKET CONDUCT AND PROTECTION OF MEMBERS.....	33
GUIDELINE 16: PRUDENTIAL REPORTING.....	36
APPENDIX 1: APPLICATION FORMS	38
Form A: SACCO Licence Application Form.....	38
Form 1A: Application Form for Renewal of Licence	45
Form B: Fit and Proper Test Form	53
Form 1C: Annual compliance report for Savings and Credit Cooperative Societies.....	62
APPENDIX 2: REPORTING FORMS	64
Form 1A: Statement of Financial Position.....	64
Notes to the Statement of Financial Position	65
Form 1B: Statement of Financial Performance	66
Form 2A: Capital Adequacy Report.....	67
Form 3A: Loan Portfolio Ageing Report	69
Form 3C: Investments Report	70
Form 4A: Statistics Report.....	71
APPENDIX 3: DEFINITION OF KEY TERMS.....	72

INTRODUCTION

These Guidelines are focused on protecting members of Savings and Credit Co-operatives (SACCOs), the financial system stability of Eswatini, and other stakeholders, and:

- are issued under the Financial Services Regulatory Authority Act 2010 (FSRA Act);
- set minimum requirements for SACCOs and other entities that are engaged in SACCO activities, pending issuance of regulations¹;
- in some cases cover issues mentioned in other laws applicable to SACCOs (e.g. Consumer Credit Act, 2016, Money Laundering and Financing of Terrorism (Prevention) Act, 2011 (as amended)) where these issues are related to the FSRA Act; and
- are broadly consistent with international benchmarks², where such benchmarks are appropriate for SACCOs.

Application of these Guidelines

The Guidelines apply to all SACCOs (and co-operatives applying for licences to do SACCO activities), subject to a tiered reporting framework as follows:

- ‘Tier 1’ SACCOs (with total assets of E1million or more) must meet all requirements in these Guidelines;
- ‘Tier 2’ SACCOs (with total assets of between E300,000 and E999,999) may apply to the FSRA for waiver from the requirements to lodge returns (other than liquidity returns) for the periods ending 31 March and 30 September each year, and permission to lodge liquidity returns on a quarterly basis rather than monthly; and
- ‘Tier 3’ SACCOs (with total assets less than E300,000) may apply to the FSRA for waiver from the requirements to lodge returns under these guidelines but will be subject to simplified annual reporting requirements agreed on a bilateral basis with the FSRA.

As reflected by these tiered reporting arrangements, the Guidelines are not intended to be “one size fits all” and the FSRA may impose modified Guidelines on SACCOs where required to reflect specific circumstances. For example, stricter requirements might be necessary where risk management of a SACCO falls below minimum requirements and threatens the interests of members,

¹ Regulations under the FSRA Act or under the proposed SACCO Act.

² Guiding Principles for Effective Prudential Supervision of Cooperative Financial Institutions 2017 (ICURN).

and relief from requirements might be appropriate where imposing a Guideline on a particular SACCO would not make sense and would adversely impact members.

Compliance with these Guidelines

The Board is responsible for ensuring compliance with these guidelines and this includes disclosing through the Board's annual report to the membership on whether it has complied with all the provisions of these guidelines. In the event it may not have complied with any of the guidelines it will spell out the reasons why it was unable to do so and outline the measures it is taking to ensure compliance in the future. Failure to comply with these guidelines without plausible reasons may attract administrative sanctions in terms of the FSRA Act. The Guidelines are not exhaustive, and the Board may enrich SACCO practices over and above these guidelines provided the same is in the best interest of the members and the SACCO.

GUIDELINE 1: LICENSING

Section 35 of the FSRA Act requires a person to hold a licence from the FSRA in order to provide any of the regulated financial services under the FSRA Act. Accordingly, a co-operative is not permitted to provide financial services unless it obtains a licence to do so from the FSRA. Consistent with these requirements, Section 2 of the FSRA Act defines a SACCO as “a savings and credit co-operative society licensed under this Act to provide financial services to its members”.

1.1 SACCO Licence Application

In order to allow new co-operatives the opportunity to develop themselves to the point where they can meet the minimum requirements to be licenced as a SACCO, the FSRA does not require such co-operatives to hold a licence from the FSRA, provided they each have less than 10 members and total assets less than E 100,000.00. Co-operatives in this category should advise the FSRA of their existence, and provide evidence regarding number of members and size of total assets.

1.1.1 The FSRA accepts licence applications from registered co-operatives that propose to provide financial services. Each applicant co-operative should submit the prescribed application (Form A) with the payment of E1500.00 (E 1000.00 being the application fee and E 500.00 being the licence fee).

1.1.2 A co-operative applying for a licence should attach the following documents to the application form:

- board resolution to apply for a licence;
- a certified copy of registration certificate issued under the Co-operative Societies Act, 2003 (Co-operative Societies Act);
- certified copy of the co-operative’s by-laws;
- key internal policy documents covering the following topics: board charter, management of conflicts of interest, restrictions on transactions with related parties, risk management, credit/loans, loan loss provisioning, concentration risk/large exposures, capital adequacy, savings, investment, liquidity, anti-money laundering and prevention of terrorist financing, business continuity (including disaster recovery) plan;
- an outline of the proposed organisational structure, including the names, and responsibilities of proposed senior management;

- business profile and plan including a brief history of the applicant and an outline of any existing activities (which would not be financial services as these are not permitted without a license); description of ownership rules/structure; financial projections; capital (classes of shares, etc.) ;
- details of proposed information and accounting systems (including any outsourcing of data processing and other back office functions) and evidence that, from the commencement of operations, information and other systems will be capable of producing all required statutory and prudential returns in an accurate and timely manner; and
- any other documents that the FSRA may require from the Applicant.

1.2 Fit and Proper Test Application

The FSRA Act requires the FSRA to ensure that the controllers of each SACCO are fit and proper. Therefore, all board members and senior management are required to meet the fit and proper tests specified in Guideline 3 on Governance. Accordingly all Board members and senior management are required to complete and submit with the licence application the “**Form B: Fit and Proper Test Form**” (see Appendix 1).

1.3 Issuance of a Licence

The FSRA will issue a licence when all relevant requirements of the FSRA Act have been met. To be licensed, at a minimum a SACCO would need to:

- be registered under the Cooperative Societies Act;
- demonstrate capacity to meet the minimum requirements in these Guidelines;
- have a sound business plan and strong financial prospects;
- be managed and controlled by a fit and proper board of directors and management;
- have documented internal control policies and processes that are commensurate with its size, complexity and risk profile;
- have appropriate operational infrastructure and financial management system commensurate with its operations and size;
- undertake to pay the supervisory levy imposed by the FSRA in terms of section 37(3)(f) of the FSRA Act; and
- demonstrate capacity to comply with the FSRA’s reporting requirements on a continuous basis such as submission of periodic returns, audited financial statements etc.

In granting a license, the FSRA has the power to impose appropriate licence conditions, as permitted under the FSRA Act.

The FSRA's assessment of the licence application will typically involve an on-site assessment and on-going communication regarding areas to be addressed prior to issuance of licence.

1.4 SACCO Licence Renewal

SACCOs are required to apply for a licence renewal at least 90 days before the expiry of its operating licence in respect of its head office and any other place of business. The expiry date for all licenses shall be 31st December of every year. A SACCO applying for a licence renewal shall be required to attach, at least, the following documents to the prescribed application for renewal (Form 1A, see Appendix 1):

- proof of payment for renewal fee of E500.00;
- information on changes in place of operation if there has been any change;
- compliance report/ update on licensing conditions (see Appendix 1);
- amended policies and by-laws if there were any changes; and
- any other information the Authority may request.

The previous year's FSRA licence certificate should be submitted upon collection of new licence. All SACCOs must be licensed from 1st January of every year. Any SACCO that will be operating without a licence after this date shall be in contravention of the FSRA Act. At the beginning of each year and not later than 30th April, the FSRA shall publish, in at least one newspaper of national circulation, particulars of all licensed SACCOs.

GUIDELINE 2: PERMISSIBLE ACTIVITIES

2.1 The Board of a SACCO is responsible for controlling the activities of a SACCO. Each SACCO must have a policy on permitted activities, and a copy of this policy must be provided to the FSRA.

2.2 SACCOs are member-based co-operatives that should focus their activities on basic financial services including accepting members' savings and making loans to members.

2.3 The FSRA will implement controls over permitted activities by imposing conditions on SACCOs' licences under the FSRA Act. Where a SACCO wishes to extend its activities beyond the provision of basic financial services to members, the FSRA will need to be satisfied that there is an appropriate reason for such activities and that they do not create threats to the prudential safety of members' savings.

2.4 The FSRA will typically authorize and monitor a SACCO to carry out the following basic activities:

- issue shares to members;
- accept savings from members;
- advance loans to members; and
- invest surplus cash in safe and liquid assets in accordance with these Guidelines.

2.5 A SACCO that seeks to engage in non-basic activities (i.e. not listed above) should apply for prior written approval from the FSRA. Non-basic activities done without prior approval of the FSRA will be liable to regulatory enforcement action under the FSRA Act.

2.6 In its application to the FSRA, the SACCO should describe the proposed product or service, outline the business case for the proposal, and include a risk assessment showing the relevant risks that have been identified and that the Board has approved the proposed product or service including controls to manage risks arising from those products or services.

GUIDELINE 3: GOVERNANCE

The Board of a SACCO is responsible for ensuring appropriate governance. Section 46 of the FSRA Act outlines basic market conduct expected of financial services providers. The FSRA relies on the board, as a core oversight function, to take all reasonable steps to ensure the safety, stability and sustainability of SACCOs. Therefore This Governance Guideline (guideline) outlines FSRA's minimum expectations and standards for sound governance practices in all SACCOs. It seeks to ensure that SACCO boards exercise their fiduciary duties and responsibilities with due care, integrity, and diligence.

3.1 Board Structure and Size

The Board should have not less than five (5) members and not more than thirteen (13) members, including supervisory committee members. A director or member of a Committee of a SACCO shall be elected for a term of two (2) years and after the expiration of the term, the person becomes eligible for re-election. No more than two (2) consecutive terms may be served on the Board or a Committee. After completing two consecutive terms a person may stand for election again into the board of directors following a period of two (2) years of not serving on the board of directors or any committee of the SACCO.

The Board may also form committees to improve on governance matters. The number and mandate of the committees should depend on the needs of the SACCO. The number of committees should not exceed four (4) in number to avoid duplication of responsibilities. These committees may include but are not limited to the executive, credit/ loans, and supervisory committees etc.

3.2 Board Remuneration

Directors are not entitled to receive remuneration in the form of salaries for the services they provide to the SACCO. Nonetheless, they may be reimbursed for reasonable expenses incurred in the course of their rendering services to the SACCO. Accordingly the Board should ensure that:

- all policy proposals and amendments are formally approved by members at the General Meetings through the budget approval process and are recorded in a formal resolution; and
- the SACCO's annual report contains a statement of the remuneration policy and details of the remuneration and benefits of directors and senior management.

Directors are expected to devote their time and resources by meeting regularly and participating in all exercises beneficial to the general well-being of the SACCO. In addition, the board should undertake a formal annual evaluation of its performance and that of employees of the SACCO. This evaluation will be used as a basis for soliciting the strengths and weaknesses of an individual and facilitate in developing and implementing strategies to rectify these short-falls which will improve their overall performance.

3.3 Board Meetings and Agenda

Board agendas and reports should be circulated prior enough to allow board members sufficient time to prepare for meetings. Every Board meeting should have the following standard agenda items; statement of financial position and performance, capital adequacy, liquidity and cash flow projections, investments, and credit portfolio performance together with delinquency analysis.

3.4 Management of Conflict of Interest

In maintaining robust ethical standards, it is the duty of the board of directors and employees of the SACCO to ensure that professional and ethical standards, and corporate values are adhered to in order to promote integrity. Every employee or director of a SACCO shall identify all potential conflicts between his or her interests and the interests of the SACCO and shall take necessary steps to ensure that his or her role is not influenced by any other interest. A director or employee of a SACCO who is a party to a contract or proposed contract with the SACCO, shall disclose in writing to the SACCO the nature and extent of that interest. The FSRA will intervene where such rules are breached.

A SACCO must have an approved policy governing management of conflicts of interest at all levels of the SACCO. The policy must ensure that conflicts are identified and managed appropriately, and a copy of the policy must be submitted to the FSRA.

3.5 Board Charter and Responsibilities

The Board must have a formal Charter that sets out the roles and responsibilities of the Board. A copy of the Charter must be provided to the FSRA. The Board, in fulfilling its functions, may delegate authority to management to act on behalf of the Board with respect to certain matters, as decided by the Board. This delegation of authority must be clearly set out and documented. The Board must have mechanisms in place for monitoring the exercise of delegated authority. The Board remains accountable for functions delegated to management.

The SACCO's governance structure should clearly define the appropriate separation of duties and responsibilities. Particularly, the roles of the committees and those of management should be clear. Committees of the Board should facilitate the work of the Board by enabling the Board to tackle key areas of the business of the SACCO more effectively.

3.6 Role of the Board of Directors

The Board of Directors shall exercise all the powers of the SACCO other than those reserved to members in a general meeting by the relevant law and by-laws. Accordingly, the main responsibilities of the Board include the following:

- convene general meetings as provided for in the by-laws;
- reports to the AGM, management reports, and audited financial statements of the SACCO;
- ensure that adequate and effective internal control systems, and policies are put in place and take all necessary measures to safeguard the assets of the SACCO;
- keep accurate accounts of financial records in accordance with applicable laws and best practices;
- establish board committees and monitor their activities;
- approve and review overall business strategies, significant policies and the structure of the SACCO;
- supervise management in the execution of approved plans;
- appoint, appraise, and discipline management;
- propose to general meeting the rate of interest and other product costing;
- implement all resolutions taken by the general meeting; and
- ensure that SACCO complies with its by-laws, policies, relevant laws, regulations, and these Guidelines.

3.7 Annual General Meetings

In order to enhance member participation and representation, each SACCO should convene an Annual General Meeting (AGM) once a year in accordance with the by-laws of the SACCO. A SACCO may also call a special general meeting, convened for special reasons.

A SACCO intending to hold an AGM should notify the FSRA in writing at least two weeks before the date of the AGM. The SACCO must have had an audit of its annual financial statements and these financial statements must have been signed off by the FSRA.

No less than 10 working days before the AGM is held, the Board and management must furnish the FSRA with the following documents:

- audited financial statements and management letter;
- annual report from the Board to be presented to the AGM;
- annual report from the Supervisory Committee; and
- annual report from the Credit Committee.

3.8 Fitness and Probity of Board Members and Senior Management

The FSRA Act requires the FSRA to ensure that SACCOs are managed and controlled by fit and proper persons. The FSRA Act requires the FSRA to consider the following facts around the person being assessed:

- financial status or financial soundness;
- ability (competency and capability) of that person to perform the proposed function efficiently and honestly;
- reputation, character, integrity;
- reliability of that person; and
- any other related factor to the fit and probity of elected Board members.

SACCOs therefore are under a duty to elect fit and proper persons as directors. Members offering themselves as candidates for elected positions should be required to meet minimum fit and proper requirements.

SACCOs therefore should put in place an election policy clearly stating eligibility criteria and election procedures. The minimum eligibility conditions must be consistent with the FSRA Fit and Proper Guideline and Rehabilitation Criteria. In particular, elected board members should complete and sign the Form B: Fit and Proper Test Form (see Appendix 1). The forms should be accompanied by the following supporting documents in relation to each member of the Board or Management:

- certified copy of National Identity Document (photocopied on both sides);
- proof of residence;
- signed and up-to-date curriculum vitae;
- police clearance report;
- ITC credit clearance certificate;
- tax compliance certificate (not graded tax certificate);

- documentary evidence that the applicant is a member of the co-operative and is in good standing (reference letter from co-operative); and
- any other document that the FSRA may require.

A SACCO should not allow elected members to assume their board responsibilities without express written approval from the FSRA.

3.9 Appointment of the Principal Officer and Senior Management Officers

One of the most important duties of the Board is to recruit, select and appoint the manager or principal officer of the SACCO and to participate in the selection and development of the senior management team. Accordingly the Board should ensure:

- that the appointment of the principal officer and senior officers is made through a competitive selection process and in accordance with the objectives and recruitment policies of the SACCO; and
- that it prepares a detailed employment contract and job description for the manager or principal officer including the key result areas and key performance indicators.

A SACCO should not allow a principal officer and other senior management officers to assume responsibilities without express written approval from the FSRA. Accordingly, a principal officer or any senior officer should complete and sign the Form B: Fit and Proper Test Form (see Appendix1).

3.10 Role of the Principal Officer

The duties of the principal officer/ manager should include but not limited to the following:

- providing leadership to the employees;
- implementing the decisions of the Board;
- ensuring effective management of the SACCO business in the best interest of the SACCO and other stakeholders;
- ensuring the development and implementation of business or strategic plans;
- developing operational plans and budgets for approval by the Board;
- ensuring compliance with the laws of the country;
- developing and recommending the policies and plans for Board and AGM approval;
- developing management succession plans for approval by the Board and AGM;
- ensuring that there is effective communication between Board and Management;
- preparation of FSRA quarterly and monthly reports for approval by the Board; and

- preparing and submitting monthly management reports to the Executive Committee covering operational areas such as loan book performance, statement of comprehensive income, cash flows, budgets etc.

GUIDELINE 4: TRANSACTIONS WITH RELATED PARTIES

The Board of a SACCO must implement effective arrangements for controlling transactions with related parties.

An important component of such arrangements is to have a policy that:

- includes a definition of who is a related party;
- imposes obligations on Board members, management and staff to declare relationships with related parties;
- restricts transactions with related parties; and
- ensures appropriate reporting of transactions with related parties.

A copy of this policy must be provided to the FSRA.

GUIDELINE 5: CAPITAL ADEQUACY MANAGEMENT

The Board of a SACCO is responsible for ensuring a sufficient level of capital to protect members' funds. Capital performs this function by providing a buffer to absorb losses. Each SACCO should have a policy on the management of Capital Adequacy, a copy of which must be provided to the FSRA.

5.1 *Calculating Institutional Capital*

Capital in the broadest accounting sense is the excess of assets over liabilities. However, the FSRA requires a stricter definition of capital in order to ensure capacity of the regulatory capital base to absorb losses and thereby protect members' funds.

5.1.1 Accordingly, this Guideline focuses on 'Institutional Capital' as defined below, and requires a SACCO to maintain a minimum Capital Adequacy Ratio (CAR) set by the FSRA, calculated as follows:

$$\frac{\text{Institutional Capital}}{\text{Total on-balance sheet assets}}$$

5.1.2 In determining whether an item qualifies to be included in the computation of Institutional Capital, the FSRA will consider its permanency and loss absorbency ability. The criteria include the following:

- the instrument is permanent to the SACCO, is not meant to be expended unless on liquidation of the SACCO;
- the instrument will be available to absorb losses;
- the instrument cannot be used as a security against a member's loan;
- the SACCO has not created an expectation at issuance or in by-laws that the instrument will be bought back, redeemed or cancelled; and
- the instrument qualifies to be classified as a capital instrument in terms of international accounting standards.

5.1.3 In general, the following items would qualify as part of a SACCO's institutional capital:

- current year surplus;
- retained surplus;
- 9statutory reserves;

- general reserves;
- grants and donations; and
- revaluation reserves (limited to not more than 20 per cent of Institutional Capital) subject to prior approval of the FSRA. Revaluation reserve is limited to only land & buildings.

5.1.4 However, some items need to be deducted because they do not meet the criteria for Institutional Capital:

- intangible assets (e.g. goodwill);
- accumulated losses;
- investment in subsidiaries; and
- equity instruments in other financial institutions or SACCOs.

5.2 Minimum Capital Adequacy Ratio

The Board should ensure that the SACCO maintains capital buffers that are commensurate with its size and risk profile. A SACCO shall at all times maintain institutional capital of not less than 8 per cent of total assets. The actual capital adequacy ratio must be reported to the FSRA in accordance with the Reporting Guideline 16.

5.3 Non Compliance

Where the Authority determines a SACCO is not in compliance with this Guideline, the FSRA may take any necessary action, which may include, but is not limited to:

- suspending payments of member dividends;
- suspending payment of interest on savings; and
- placing the SACCO under administration/curatorship.

5.4 Redemption or Repurchases of Member Shares

Where a SACCO's capital is below acceptable regulatory standards a SACCO should not repurchase shares of resigned members or that payment should be pro-rated in accordance with loss or deficiency incurred by the SACCO.

GUIDELINE 6: RISK MANAGEMENT

The Board of a SACCO is responsible for implementing an adequate framework for managing the risks incurred by the SACCO. Risk Management may be defined as a process to identify, measure, control and monitor exposures to loss.

6.1 Risk Management Framework

6.1.1 Each SACCO should implement a risk management framework appropriate for its risk profile. A SACCO must provide an updated written description of its risk management framework to the FSRA on an annual basis. The framework should:

- be reviewed at least annually;
- be comprehensive enough to capture all material risks a SACCO is exposed to;
- at a minimum cover the following six risks categories: strategic, credit, operational, liquidity, money laundering, and compliance risks.

6.1.2 Key elements of an effective risk management framework are:

- active board and senior management oversight;
- approved risk management strategy (RMS) that describes the key elements of the risk management framework;
- adequate policies, and procedures covering applicable risk topics such as credit risk, liquidity risk, operational risk, and (if relevant) market risk;
- adequate management information systems;
- comprehensive internal controls designed to ensure that the risks arising from the SACCO's activities are identified, measured and controlled so as to stay within the risk appetite; and
- a well-resourced risk management function that is fully independent from the business function

6.2 Statement of Compliance

The Board of a SACCO must provide the FSRA with a signed compliance declaration annually, at licence renewal, in the following terms:

“to the best of its knowledge and having made appropriate enquiries, in all material respects:

- the SACCO has in place arrangements for ensuring compliance with all SACCO Guidelines, licensing conditions and the relevant laws

- the arrangements that are in place for identifying, measuring, and controlling material risks, and the risk management framework, are appropriate to the SACCO, having regard to the size, business mix and complexity of the SACCO and group (where appropriate);
- the risk management and internal control systems in place are operating effectively and are adequate having regard to the risks they are designed to control;
- the SACCO has a risk management strategy (RMS) that complies with this Guideline;
- the SACCO has complied with each measure and control described in the RMS; and
- the SACCO is satisfied with the efficacy of the processes and systems surrounding the production of financial information at the SACCO and group (where appropriate).”

GUIDELINE 7: CREDIT RISK MANAGEMENT

Credit risk is the most significant risk for SACCOs, accordingly this guidance note seeks to ensure that Board and Management put in place an adequate credit risk management framework to identify, measure and manage this risk.

7.1 Credit Risk Management Framework

7.1.1 The Board of a SACCO is responsible for implementing an adequate framework for managing the credit risks incurred by the SACCO. A SACCO must conduct regular reviews of its credit risk management framework as and when the environment dictates to comply with prevailing credit laws and regulations. The Board and Senior Management should receive regular reports enabling effective oversight of credit risk issues.

7.1.2 The credit risk management framework should include policies, procedures and systems covering:

- a well-resourced independent credit risk management function;
- criteria for approval of credit, persons responsible for approving, and processes to ensure the criteria are met;
- limits on large exposure and portfolio concentrations;
- identification and measurement of impaired loans in a timely manner;
- criteria for placing loans on non-accrual (accrual of interest);
- adequacy of provisions and reserves covering existing and estimated future credit losses and the timely establishment of such provisions and reserves;
- write down or write off of uncollectible loans; and
- production of data required for assessing the credit risk exposure.

7.2 Credit Committee

7.2.1 Every SACCO shall elect a competent credit committee, which shall consist of a maximum of three (3) members. The credit committee shall oversee the overall lending of the SACCO and satisfy itself that management and staff are adhering to the lending policies of the SACCO and applicable credit laws. Some of the loan application and approval work should be delegated to senior management such as approval of emergency loans or short loans.

7.2.2 The Credit Committee's responsibilities amongst others are to approve loans outside the scope of those that can be approved by the manager or loans officers, monitoring loan performance, and

working with the office on following up on delinquent loans. The credit committee shall on a quarterly basis prepare reports to the Board to apprise the Board on overall loan performance, and non-performing loans.

7.2.3 The principal officer or accountant or any other assigned senior officer should be an ex officio member of the committee to assist the committee on the technical work.

7.2.4 Board through Credit Committee should ensure that SACCOs advance loans to its members only for prudent and productive purposes and that loans are issued and collected in accordance with by-laws, loan policy and the Consumer Credit Act.

7.2.5 When approving loans the responsible officer and the credit committee should have regard to:

- the SACCOs policies and procedures;
- the member's debt repayment history;
- member's existing financial means and prospects; and
- member's existing and future financial obligations.

7.3 Ongoing Monitoring and Collections Policy

The Board should ensure that there is a loan collection policy in place and designated officers for monitoring, reviewing, and collecting delinquent loans. These officers should ideally be independent from the credit appraisal and approval function.

7.4 Conflict of Interest

No employee or member of the Board shall be present or participate in a meeting when his or her application for a loan is or the application of any person who is part of his/her immediate family or with whom s/he has a business or fiduciary relationship is considered.

7.5 Interest on Loans

Interest on loans shall be in line with the SACCO's approved credit/loan policies. The method of recalculation and disclosure of interest rates shall be on a reducing balance method.

7.6 The conduct of Board Members

Board members and employees of SACCOs must be exemplary in servicing loan agreements in line with the FSRA fit and proper guideline. The FSRA may call for the removal of any officer or board member who with intent fails to service their loans. A person who knowingly approves or grants a loan in contravention of the above shall be liable for any losses resulting to the SACCO in connection to that loan.

7.7 Classification of Loans and Monitoring

7.7.1 SACCOs should review their loan portfolios and assign loans to categories or grades based on performance, perceived risk, and other relevant characteristics of the loans. The process of continued review and classification of loans enables SACCOs to monitor the quality of their loan portfolios and, when necessary, to take remedial action to counter deterioration in the credit quality of their portfolios.

7.7.2 All loans (including rescheduled/renegotiated loans) shall be classified into five categories on the basis of the following criteria;

- performing loans, being loans which are well documented and performing according to contractual terms;
- watch loans, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding;
- substandard loan, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty one to one eighty days or where two to six instalments have remained outstanding;
- doubtful loans, being loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one to three hundred and sixty days or where seven to twelve instalments have remained outstanding; and,
- loss loans, being loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding.

7.7.3 A restructured loan may be reclassified if a sustained record of performance is maintained for six months or six instalments have been made from the date of the restructuring provided no loan shall be restructured more than once in its life cycle.

7.7.4 Interest on non-performing loans and advances should be suspended from being treated as income once a loan is classified as substandard, doubtful and loss.

7.7.4 The Board should put in place a policy that guides the classification of the loan portfolio.

GUIDELINE 8: PROBLEM ASSETS, PROVISIONS, AND RESERVES

The Board of a SACCO is responsible for ensuring prompt identification of problem assets, and the making of appropriate provisions to ensure that the earnings of the SACCO are not overstated. The Board through the Credit Committee should ensure that problem loans are managed as per credit risk management framework and that provisions for bad and doubtful debts are made in compliance with the prudential requirements set out in this guideline

Generally acceptable accounting principles prescribe that financial assets be classified and measured at fair value, with changes in fair value recognized in profit and loss as they arise. The standard further calls for accounting models that focus on the risk that a loan will default rather than when a loss is incurred. Loans should be recognized as being impaired and necessary provisions should be made, if it is likely that the SACCO will not be able to collect all the amounts due, principal and interest, according to the contractual terms of the loan agreement(s).

8.1 Loan Loss Provisioning Policy and Provisioning Rates

8.1.1 Every SACCO should adopt and document a loan loss classification and provision policy. The adopted loan loss provisioning policy should be applied consistently in the SACCO's management and periodic reports as well as in its audited annual financial statements.

8.1.2 The Board and Management of a SACCO shall assess and provide for loan loss provision for delinquent loans as follows, expressed as a percentage of outstanding loan balances less 80 per cent of savings used as security. A SACCO can apply to the FSRA for prior approval to utilise 100 per cent of savings used as security:

- 1 per cent for only renegotiated/rescheduled loans classified as performing
- 5 per cent for all loans classified as watch;
- 25 per cent for all loans classified as substandard;
- 50 per cent for all loans classified as doubtful; and
- 100 per cent for all loans classified as loss.

8.1.3 In addition, the Board and Management of a SACCO should establish a General Reserve for Credit Losses (GRCL) that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities making up the business of the SACCO. The GRCL must be

freely available to meet any credit losses that subsequently materialize and must also be determined on a portfolio basis.

GUIDELINE 9: CONCENTRATION RISK AND LARGE EXPOSURE LIMITS

The Board of a SACCO is responsible for implementing an adequate framework for managing the concentration risks incurred by the SACCO.

A SACCO's exposure to its counterparties may result in concentration of its assets to a single counterparty or a group of connected counterparties. As a first step to address the concentration risk, the FSRA has set limits on exposures as follows:

- a SACCO may not grant a loan to any one member which exceeds 10 per cent of the SACCO's Institutional Capital;
- a SACCO may not hold investments in securities (financial instruments) of a non-government issuer which exceed 10 per cent of the SACCO's Institutional Capital; and
- a SACCO may not hold savings of any one member which exceeds 20 per cent of the SACCO's Institutional Capital.

GUIDELINE 10: LIQUIDITY RISK MANAGEMENT

A SACCO needs an adequate level of liquid funds to operate safely and to satisfy members' needs for loans and withdrawals.

Liquidity refers to the ability to fund at reasonable cost all contractual obligations of a SACCO, notably, savings and deposit withdrawals, external borrowing repayments, member loan demands and operating expenses. Liquid assets are assets that can easily be converted into cash without suffering a penalty or loss.

10.1 *Liquidity Risk Management Framework*

The Board and Senior Management of each SACCO are primarily responsible for establishing an effective set of policies, procedures and systems to identify, measure and control liquidity risk. The policies, procedures and systems should be appropriate for the liquidity risk profile of the SACCO. This liquidity framework should address liquidity management, persons that may access a line of credit for liquidity purposes, how liquidity will be monitored, the limits for total cash assets and the limits for the amount of cash to be kept on-site. The liquidity risk management framework must include, at a minimum:

- a Board-approved statement of the SACCO's liquidity risk tolerance;
- a Board-approved liquidity management strategy and operating standards (e.g. in the form of policies, procedures and controls) for identifying, measuring, monitoring and controlling its liquidity risk in accordance with its liquidity risk tolerance;
- the SACCO's funding strategy, approved by the Board;
- a contingency funding plan (to cover emergencies); and
- regular measurement and reporting of the maturity profile the SACCO's investments.

A SACCO must provide a copy of its liquidity risk management framework to the FSRA.

10.2 *Acceptable Liquid Assets*

A SACCO must at all times maintain sufficient liquid assets to meet its obligations as they fall due, and in particular hold liquid assets. For purposes of this Guideline, liquid assets shall include unencumbered assets as follows;

- notes and coins which are legal tender in Eswatini;
- Eswatini Government Treasury Bills;

- balances with a maturity period of less than 91 days; held at financial institutions licensed under the Financial Institutions Act, 2005, or registered under the Building Societies Act, 1962, after deducting balances owing to those institutions; and
- such other liquid assets as the FSRA may approve and specify.

10.3 *Minimum Liquidity Ratio*

A SACCO should maintain at least 15 per cent of members' total savings in net liquid assets. The Minimum Liquidity Ratio calculation shall be liquid assets less short-term liabilities (maturing within 90 days) divided by total savings. The liquidity ratio should be calculated on a monthly basis using the closing balances of the last business week.

The minimum liquidity ratio must be met at all times. The actual liquidity ratio must be reported to the FSRA in accordance with the Reporting Guideline 16

A SACCO must inform the FSRA as soon as possible of any breach of the minimum liquidity ratio requirement, any concerns it has about its current or future liquidity, and its plans to address these concerns.

GUIDELINE 11: INVESTMENTS MANAGEMENT

The Board of a SACCO is responsible for implementing appropriate controls over management of the SACCO's investments. A copy of the investment management policy must be provided to the FSRA.

This Guideline sets out the framework within which SACCOs should maintain and manage their investments, so that their obligations to members are met. SACCOs are founded by their members in order to accept shares and savings, grant loans and provide other financial services. Loan demand can fluctuate throughout the year, causing periods of excess liquidity and other periods with insufficient liquidity.

The primary objective of the investment portfolio is to provide for and complement liquidity and cash management activities. Excess funds may be converted into earning assets with the objective that all investments are made in safe and sound institutions and within legal and regulatory limits. The investment yield is important; however, the safety of investments and liquidity are always the primary concern.

11.1 *Investment Policy*

SACCOs' Boards and Management should develop and implement an investment policy to guide investment, monitoring and reporting. Investments should be in line with the investment policy and risk appetite of the SACCO and the rationale for investment decisions should be documented. SACCOs need to understand the risks of the investments they undertake

For the purposes of this guideline, financial investment means investments in government securities, and in institutions licensed under the Financial Institutions Act, 2005, the Building Societies Act, 1962 and the FSRA Act (as approved and specified by the Authority).

11.2 *Investment in Non-earning Assets*

A SACCO should not invest in non-earning assets (other than land & buildings) in excess of 5 per cent of Institutional Capital. Land and buildings shall not exceed 10 per cent of Institutional Capital unless a waiver to that effect has been obtained from the FSRA.

11.3 Investments in Land and Property

Subject to prior written approval from the FSRA, a SACCO shall not purchase or acquire any land or any interest or right therein except as may be reasonably necessary for the purpose of housing its offices and conducting its business and where such investments do not exceed such proportion of the institutional capital of the SACCO as may be determined in this guideline

A SACCO shall be required to dispose of the investment in property acquired for the purpose of future expansion, if the property remains unutilized for two years from the date of acquisition and an extension shall only be granted with written approval from FSRA.

11.4 Financial Investments

A SACCO shall not make financial investments in non-government securities in excess of 40 per cent of its Institutional Capital. A SACCO should make financial investment with the intention of “holding to maturity” and shall not use the portfolio to trade securities for profit, placing the SACCO’s capital at risk.

11.5 Investment Advisers

Where SACCOs are dealing with an investment adviser, they need to ensure that the adviser has adequately explained why an investment is suitable for the SACCO and that they understand the risk. The Board needs to understand the risks of the investments they undertake, they cannot outsource that judgement to an external party such as an investment adviser. SACCOs are expected to have their own sound investment criteria and investment decision processes in place.

GUIDELINE 12: INTERNAL CONTROL AND AUDIT

12.1 Supervisory Committee

All SACCOs must have an independent Supervisory Committee with the mandate to ensure that the SACCO complies with internal controls, policies, procedures, and other relevant pieces of legislation.

12.2 Compliance

12.2.1 A well-resourced compliance function is part of the second line of defence. Section 51 of the FSRA Act states that “An Authorized financial services provider shall designate one of its officers as compliance officer for the purposes of ensuring compliance with this section, provision of this Act, regulations, rules and notices issued thereunder, the provisions of a financial services and money laundering laws, and such other directives as may be issued by the Authority from time to time”.

SACCOs must have a compliance program, which shall be overseen by the compliance officer.

12.2.2 A SACCO shall have in place the oversight, policies, procedures, practices, systems, controls, skills, expertise and reporting arrangements to ensure compliance with the relevant legislations. A SACCO should develop, implement, document and maintain a compliance programme that allows it to evaluate compliance with its obligations under this section including compliance with all legal and regulatory requirements. The key elements of a compliance programme should include:

- a compliance policy;
- a compliance plan; and
- a review of the compliance policy and plan by the board of directors, at least annually.

12.2.3 The compliance officer should communicate any significant deviations from the compliance policy, the reasons for these deviations and proposed action to address the deviations to the board of directors and the manager. The compliance officer should ensure that the compliance plan is updated to take account of new or updated compliance requirements (including new or updated legal and regulatory requirements and guidance), new products and services, material modifications to existing products and services and major management initiatives.

12.3 Internal Audit

A SACCO should have an independent and well-resourced internal audit function that reports to the Board and to the Supervisory Committee unless the FSRA has approved the use of the Supervisory Committee to cover the review function normally performed by Internal Audit).

GUIDELINE 13: FINANCIAL REPORTING AND EXTERNAL AUDIT

13.1 *Appointment of Auditors*

13.1.1 The FSRA Act empowers the FSRA to make rules regarding the appointment of an external Auditor and preparation of annual financial statements by an authorized financial services provider. As such, this guideline outlines the procedures to be followed by SACCOs when appointing auditors. This guideline prescribes the manner in which SACCOs shall keep records, produce books and further outlines their reporting obligations.

13.1.2 To be eligible for appointment to audit a SACCO, the auditor must be a registered member of a recognized professional body of auditors with the necessary experience and qualifications.

The first auditor of a SACCO may be appointed by the directors at any time before the first AGM; but no person shall be so appointed unless they are qualified for election as an auditor of a SACCO.

13.1.3 At each AGM, a SACCO shall appoint an auditor to hold office from the conclusion of that meeting until the next AGM. A SACCO may by resolution at a general meeting remove an auditor before his tenure expires and may elect in his place a person who has been duly nominated for election; who is qualified to be an auditor of a SACCO of whose nomination notice has been given to the members of the SACCO and the FSRA.

13.2 *Advisory and Other Services*

To ensure auditors remain independent and objective, auditors must not prepare accounting records or financial statements. Auditors shall further refrain from providing management services or carrying out activities that would be generally considered management responsibility. Activities identified as taking management responsibility include the following; setting policies/strategies, authorising transactions, deciding recommendations to implement and taking responsibility for designing, implementing and maintaining internal control and accounting system.

13.3 *Audit Rotation*

In order to enhance independence and objectivity of the audit process, SACCOs must consider rotating the audit firm or partner. The audit tenure will be set at three consecutive financial years, after which an audit firm will only be eligible for reappointment as the auditor after at least three financial years.

13.4 *Annual Financial Statements*

13.4.1 SACCOs shall prepare annual financial statements representing the effects of transactions, and events in accordance with applicable laws and financial reporting standards. Annual financial statements of SACCOs shall contain at least, the statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity and all the relevant disclosures and notes to financial statements.

13.4.2 The financial statements of a SACCO should be reviewed by an independent auditor. Copies of audited financial statements and the management letter must be submitted to the FSRA within three months after the end of each financial year for its review before the date of the AGM. SACCOs shall not hold an AGM unless audited financial statements have been submitted and signed by the FSRA. Copies of audited accounts and reports shall then be made available to the members before the AGM.

GUIDELINE 14: ABUSE OF FINANCIAL SERVICES

The Board of a SACCO is responsible for ensuring that the SACCO's activities are not used for criminal activities, including money laundering and terrorist financing.

The FSRA supervises SACCOs in terms of section 35 of the Money Laundering and Financing of Terrorism (Prevention) Act 2011 (as amended) (MLTFP Act). SACCOs are expected to comply with the MLTFP Act, and should at least have the following in place:

- Compliance officer and structures;
- appropriate policies and procedures to deter and detect money laundering and terrorist financing; these policies and procedures should provide for identifying and reporting of suspicious transactions and outline the procedure for handling of Politically Exposed Persons (PEPs);
- an effective risk based AML/CFT compliance program- SACCOs should conduct a risk assessment as prescribed by Circular No.2 of 2015;
- Board and Senior Management that ensures compliance with the provisions of the MLTFP Act and the SACCOs compliance program; and
- Know Your Customer (KYC) procedures and systems that will be used at establishment of business relationship, and when necessary.

GUIDELINE 15: MARKET CONDUCT AND PROTECTION OF MEMBERS

SACCOs should put in place a framework for protecting members that is in line with the general acceptable consumer protection principles

15.1 Appropriate Product Design and Delivery

SACCOs should design products and services that are suitable for members. In ensuring the correct measures are undertaken, the board should ensure that adequate procedures and policies are in place that:

- comprehensively describe the product or service;
- identify the resources required to establish sound and effective management of the product and service;
- analyse the reasonableness of the proposed activities in relation to the SACCOs overall financial condition and capital levels; and
- measure, control, and monitor the risks of proposed products and services.

15.2 Fair and Equitable Treatment of Members

SACCOs should deal fairly and honestly with members at all stages of their relationship. SACCOs should avoid practices that harm members, particularly with respect to vulnerable and disadvantaged members. SACCOs should not subject members to illegal, unethical, discriminatory or deceptive practices, such as abusive marketing tactics, abusive debt collection or other improper behaviour that may pose unnecessary risks or harm members.

15.3 Reasonable Pricing of Financial Services Products

SACCOs should price their products and services fairly and in line with their role as member-based organisations. Pricing should be in a way that contributes to the long-term financial health of members while meeting the needs of the organization for financial sustainability. Responsible pricing goes beyond just setting the right price for products and services but includes effective governance and stewardship over member's funds

15.4 Responsible Lending and Prevention of Over-indebtedness

A SACCO should engage in responsible lending by putting in place a policy with well documented processes, and a rigorous internal control process for loan assessment and approvals using appropriate

information criteria; and incorporating staff incentives to facilitate the approval of quality loans and ensuring that they are trained on loan analysis and the credit approval process.

15.5 *Disclosure and Transparency*

SACCOs should provide accurate information regarding the product, terms, conditions, applicable fees and final costs to enable members to take informed decisions. SACCOs should ensure easy access to this information, especially to the key terms and conditions. SACCOs should:

- put in place adequate policies and well documented processes that allow for transparency on product terms, conditions and pricing; and
- ensure that the SACCO communicates relevant information with members at appropriate times and through appropriate channels to allow for deeper understanding which in turn will facilitate effective meetings and engagement with members.

15.6 *Member Education and Awareness*

SACCOs should, as appropriate, develop programmes and mechanisms to assist members to develop the knowledge and skills necessary to understand risks, including financial risks, to take informed decisions and to access competent and professional advice and assistance, preferably from the education committee. As such, it is the duty of the board to ensure that members are promptly updated on any new products that are introduced. Every SACCO should ensure that competent personnel is appointed in the education committee and is adequately trained on products and services offered by the SACCO in order for them to be able to effectively discharge their duties in as far as awareness is concerned .

15.7 *Protection of Members' Privacy*

SACCOs should protect members' privacy through a combination of appropriate control, security, transparency and consent mechanisms relating to the collection and use of member information.

The SACCO may not share any information outside the organisation for its marketing purposes without members' explicit written consent. To provide products or services, SACCOs may disclose information to the following:

- service providers: information may be shared with service providers under contracts who help with business operations. Service providers are required to keep information confidential and use it only for the services provided to the SACCO; and
- legal and other disclosures: Information may be disclosed when permitted and/ or required by law.

15.8 *Members' Complaints and Disputes*

SACCOs should make available effective, fair, transparent, accessible and speedy complaints-handling mechanisms. SACCOs should encourage members to report unresolved disputes to the Office of the Ombudsman of Financial Services. Section 74 of the FSRA Act sets out the scope of the Ombudsman which is to enable certain disputes in the financial services industry to be resolved quickly and with minimum formality.

GUIDELINE 16: PRUDENTIAL REPORTING

16.1 Section 60 (1) of the FSRA Act states that the FSRA may make rules to prescribe requirements for authorised financial services providers and affiliates to make reports to the FSRA, and give information or documents to the FSRA, about matters concerning the authorised financial services provider, for purposes of the FSRA's performing its functions under the FSRA Act or any other relevant financial services law.

16.2 This Guideline outlines the reports that SACCOs shall be required to submit to the FSRA on specified periodic basis, so as to enable the FSRA to effectively carry out its offsite supervision. The reports consist of prudential financial reports and other management reports.

16.3 Periodic reporting to the FSRA is a very important tool in the supervision of SACCOs in that it enables the FSRA to identify and detect early warning indicators of risks that could potentially put the financial soundness of a SACCO and members' savings at risk of losses. In so doing, it enables the FSRA to direct supervisory resources to areas which pose greatest risk to the stability of SACCOs and the financial system. A stable financial system is one in which financial institutions including SACCOs continue to provide critical financial services- a precondition for a healthy and successful economy. FSRA will make forward looking judgments on the risks posed by SACCOs to its statutory objectives.

16.4 SACCOs shall submit reports to the FSRA on a monthly, quarterly ,semi-annual, and annual basis depending on the size of the SACCO. However, the FSRA may prescribe more frequent reporting schedules for SACCOs with severe problems. Monthly reports should be submitted on or before the 15th day after the end of the reporting month in the prescribed form. Quarterly semi-annual, and annual reports should be submitted on or before the 30th day after the end of the reporting period in the prescribed form.

16.5 SACCOs should report to the FSRA, through the FSRA online submission system, otherwise known as the Bank Supervision Application (BSA). The reporting forms are found in Appendix 2 and consist of the following:

Name of Report	Template	Reporting Frequency	
		Tier 1	Tier 2
Statement of Financial Position	Form 1A	Quarterly	Semi-annually
Statement of Comprehensive Income	Form 1B	Quarterly	Semi-annually
Capital Adequacy Report	Form 2A	Quarterly	None
Liquidity Report	Form 2B	Monthly	Quarterly
Risk Classification of Assets and Provisioning Report	Form 3A	Quarterly	None
Investments Report	Form 3C	Quarterly	None
Statistics Report	Form 4A	Quarterly	Semi-annually,

APPENDIX 1: APPLICATION FORMS

Form A: SACCO Licence Application Form

1. Name of SACCO:
2. Type of SACCO applied for, tick one
Employee SACCO*
Community SACCO
Nation Wide SACCO
Other, Specify:
- *If employee SACCO, state the name of employer:
3. Physical Address of SACCO Head Office:
.....
4. Postal Address:
.....
5. Telephone Number:
6. Cell phone Number (Principal person/ Contact person):
.....
7. Fax Number:
8. Email Address:
9. Date of Registration: Registration Number:
10. Current Membership Number:
11. Names of places of business in Swaziland and start date and the number of years each has been established and has conducted or carried out business:

Place of Business	Start Date	Years in operation
1.		
2.		

12. Structure and Committees of the Board (Provide a list of the board sub-committees in place)

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13. Provide the following for each of the SACCO's Board of Directors

a) Name.....

Designation.....

Date of Appointment.....

b) Name.....

Designation.....

Date of Appointment.....

c) Name.....

Designation.....

Date of Appointment.....

d) Name.....

Designation.....

Date of Appointment.....

e) Name.....

Designation.....

Date of Appointment.....

f) Name.....

Designation.....

Date of Appointment.....

g) Name.....

Designation.....

Date of Appointment.....

h) Name.....

Designation.....

Date of Appointment.....

i) Name.....

Designation.....

Date of Appointment.....

j) Name.....

Designation.....

Date of Appointment.....

k) Name.....

Designation.....

Date of Appointment.....

l) Name.....

Designation.....

Date of Appointment.....

m) Name.....

Designation.....

Date of Appointment.....

n) Name.....

Designation.....

Date of Appointment.....

o) Name.....
Designation.....
Date of Appointment.....

14. Provide the following for each of the SACCO's Senior Management Officers:-

a) Name.....
Designation.....
Date of Appointment.....
Cellphone Number:

b) Name.....
Designation.....
Date of Appointment.....
Cellphone Number:

c) Name.....
Designation.....
Date of Appointment.....
Cellphone Number:

d) Name.....
Designation.....
Date of Appointment.....
Cellphone Number:

e) Name.....
Designation.....
Date of Appointment.....
Cellphone Number:

15. BORROWINGS of SACCO: Provide details of the following:

Name of lending institution.....
Type of facility.....

Date of offer.....

Terms of offer.....

Security offered.....

Value of security.....

Current Outstanding balance.....

16. Bankers: Provide details of the following:

Name of Banker	Address	Details of Banking

17. Investment Managers: Provide details of the following:

Name of Investment Manager	Address	Details of Investment

18. Auditors: Provide details of the following;

Name of current Auditors.....

Date of Appointment.....

19. Has the SACCO been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full?

Yes ☐

No ☐

If yes, give particulars.....

.....

20. Is an inspector or other authorized officer of any government ministry, department or agency, professional association or other regulatory body investigating or has such an investigation ever previously taken into the affairs of the SACCO?

Yes ☐

No ☐

If yes, give particulars
.....

21. Is the SACCO currently engaged or does it expect to be involved in any litigation which may have a material effect on the resources of the SACCO?

Yes ☐

No ☐

If yes, give particulars.....
.....

22. Is the SACCO engaged or does it expect to be engaged in any business relationship with any of its officers or shareholders?

Yes ☐

No ☐

If yes, give particulars.....
.....

23. Financial Services

(a) List and briefly describe current and envisaged financial products

Financial Product	Description

(b) Describe the methodologies of delivering products and services

.....

.....

.....

.....

24. Please attach a cheque for E 1,500.00 being application and licence fees

DECLARATION

We, the undersigned, being the members of the Board, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate.

Chairperson..... (Name)

Signature.....**Date**.....

Secretary..... (Name)

Signature.....**Date**.....

Form 1A: Application Form for Renewal of Licence

1. Name of a SACCO:

2. Type of SACCO applied for, tick one

Employee SACCO* ☐

Community SACCO ☐

Nation Wide SACCO ☐

Other, Specify

*If Employee SACCO, state the name of Employer:

3. Physical Address of SACCO Head Office:

.....
.....

4. Postal Address:

.....

5. Telephone Number:

6. Name and Cell phone Number of principal/Contact.....
person.....

7. Fax Number:

8. Email Address:

9. FSRA Licence Number:

10. Current Membership Number:

11. Names of places of business in Swaziland and start date and the number of years each has been established and has conducted or carried out business:

Place of business	Start date	Years in operation
1.		
2.		

12. Structure and Committees of the Board (Provide a list of the Board sub-committees in place)

.....
.....
.....
12. Provide the following for each of the SACCO's Board of Directors

a) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

b) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

c) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

d) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

e) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

f) Name.....
Board Subcommittee.....
Designation.....

Date of Appointment.....

g) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

h) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

i) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

j) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

k) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

l) Name.....

Board Subcommittee.....

Designation.....

Date of Appointment.....

m) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

n) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

o) Name.....
Board Subcommittee.....
Designation.....
Date of Appointment.....

13. Provide the following for each of the SACCO's Senior Management Officers:-

a) Name:
Designation (Position):
Date of Appointment:
Cell phone Number:

b) Name:
Designation (Position):
Date of Appointment:
Cell phone Number:

c) Name:
Designation (Position):
Date of Appointment:
Cell phone Number:

d) Name:
 Designation (Position):
 Date of Appointment:
 Cell phone Number:

e) Name:
 Designation (Position):
 Date of Appointment:
 Cell phone Number:

14. BORROWINGS: Provide details of the following:

Name of lending institution.....
 Type of facility.....
 Date of offer.....
 Terms of offer.....
 Security offered.....
 Value of security.....
 Current Outstanding balance.....

15. Bankers: Provide details of the following:

Name of Banker	Address	Details of Banking

16. Investment Managers: Provide details of the following:

Name of Investment Manager	Address	Details of Investment

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17. Auditors: Provide details of the following;

Name of current Auditors:

Date of Appointment:

Partner in charge:

18. Has the SACCO been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full?

Yes ☐

No ☐

If yes, give particulars.....

.....

.....

19. Is an inspector or other authorized officer of any government ministry, department or agency, professional association or other regulatory body investigating or has such an investigation ever previously taken into the affairs of the SACCO?

Yes ☐

No ☐

If yes, give particulars

.....

.....

20. Is the SACCO currently engaged or does it expect to be involved in any litigation which may have a material effect on the resources of the SACCO?

Yes ☐

No ☐

If yes, give particulars.....

.....

.....

21. Is the SACCO engaged or does it expect to be engaged in any business relationship with any of its officers or shareholders?

Yes ☐

No ☐

If yes, give particulars.....

22. Financial Services

(c) List and briefly describe current and envisaged financial products

Financial Product	Description

(d) Describe the methodologies of delivering products and services

.....

23. Please attach a cheque for E 1,500.00 being application and licence fees

DECLARATION

We, the undersigned, being the members of the Board, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate.

Chairperson..... (Name)

Signature.....**Date**.....

Secretary..... (Name)

Signature.....**Date**.....

Form B: Fit and Proper Test Form

(To be completed by directors and senior management)

Criteria for Determining Suitability of Persons in Control of Institutions Licensed Under the Financial Services Regulatory Authority Act, 2010

NB: (a) Read the declaration on Section 6 below before completing this form.

(b) In case the space provided is inadequate, use additional paper.

1. The Institution

Name.....

Type.....

2. Personal Information

(a) Surname

(b) Other names.....

(c) Previous Names (if any) by which you have been known

.....
.....

(d) Place of birth.....

(e) Nationality.....

(f) Personal identification number.....

(g) Postal Address.....

(h) Email address.....

(i) Physical address.....

(j) Cell-phone Number:

(k) Educational qualifications

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(n) Professional qualifications and years obtained

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(o) Name(s) of your bankers during the last 5 years

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3. Employment/ Business Record

Period (MM/YY)	Name of Employer/Business and address	Position held and dates	Responsibilities	Reasons for Leaving (where applicable)

4. Description of Your Past and Current Activities in eSwatini and Abroad

4.1 Shareholding (Directly Owned or Through Nominees)

Company's Name	Date of Incorporation	Amount of shareholding	% of shareholding	Past shareholding		Remarks
				A	B	

A : Refers to date of closure						
B: Refers to reasons for closure or surrender						

4.2 Directorship

Company's Name	Date of Appointment	Executive or Non-Executive	Position held in case of Executive	Past Directorship		Remarks
				C	D	
C: Refers to date of retirement						
D: Refers to reasons for retirement						

4.3 Professional Bodies

(a) Name of Club

Membership No.....

Position held.....

Past club membership

Date of retirement.....

Reasons for retirement

Remarks.....

(b) Name of Club.....

Membership No.....

Position held.....

Past club membership

Date of retirement.....

Reasons for retirement
Remarks.....

4.4 Social Clubs

(a) Name of Club.....
Membership No.....
Position held.....
Past club membership
Date of retirement.....
Reasons for retirement
Remarks.....

(b) Name of Club.....
Membership No.....
Position held.....
Past club membership
Date of retirement.....
Reasons for retirement
Remarks.....

4.5 Borrowings

(a) Name of Borrower.....
Name of lending institution.....
Type of facility.....
Date of offer.....
Terms of offer.....
Security offered.....
Value of security.....

Current Outstanding balance.....

Remarks.....

(b) Name of Borrower.....

Name of lending institution.....

Type of facility.....

Date of offer.....

Terms of offer.....

Security offered.....

Value of security.....

Current Outstanding balance.....

Remarks.....

4.6 Sources of Funds

Please provide details of the actual source(s) of funds that you, as a shareholder, would like to invest or use in the acquisition of shares in the institutions.

a)

b)

c)

5. Questionnaire

5.1. Have you or any entity with which you are associated as director, shareholder or manager, ever held or applied for a license or equivalent authorization to carry on any business activity in any country? If so, give particulars. If any such application was rejected or withdrawn after it was made or any authorization revoked, give particulars.

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5.2. Have you at any time been convicted of any criminal offence in any jurisdiction? If so, give particulars of the court in which you were convicted, the offence, the penalty imposed and the date of conviction.

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5.3. Have you, or any entity with which you have been involved, been censured, disciplined, warned as to future conduct, or publicly criticized by any regulatory authority or any professional body in any country? If so give particulars.

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5.4. Have you, or has any entity with which you are, or have been associated as a director, shareholder or manager, been the subject of an investigation, in any country, by a government department or agency, professional association or other regulatory body? If so, give particulars.

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5.5. Have you, in any country, ever been dismissed from any office or employment, been subject to disciplinary proceedings by your employer or barred from entry of any profession or occupation? If so give particulars.

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5.6. Have you failed to satisfy debt decided due and payable by you on order of court, in any country, or have you made any compromise arrangement with your creditors within the last 10 years? If so, give particulars.

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5.7. Have you ever been declared bankrupt by a court in any country or has a bankruptcy petition ever been served on you? If so, give particulars.

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5.8. Have you ever been held liable by a court, in any country, for any fraud or other misconduct? If so, give particulars:

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5.9. Has any entity with which you were associated as a director, shareholder or manager in any country made any compromise or arrangement with its creditors, been wound up or otherwise ceased business either while you were associated with it or within one year after you ceased to be associated with it? If so, give particulars:

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5.10 Are you presently, or do you, other than in a professional capacity, expect to be engaged in any litigation in any country? If so, give particulars:

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5.11 Indicate the names, addresses, telephone numbers and positions of three individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least five years.

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5.12 Is there any additional information which you consider relevant for the consideration of our suitability or otherwise for the position(s) held/to be held? The omission of material facts may represent the provision of misleading information.

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N.B The information given in response to this questionnaire shall be kept confidential by the supervisory authorities, except in cases provided for by law.

6. Declaration

I am aware that it is an offence to knowingly or recklessly provide any information which is false or misleading in connection with an application for a license. I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the Authority should be aware of.

I undertake to inform the Authority of any changes material matter to the applications which arise while the application is under consideration.

Name..... Position Held.....

Dated At This..... Day of.....

Applicant's Signature

Commissioner for Oaths

Name

Signature

Address

NB

Please note that questions 5.1 to 5.10 should be fully answered either with a “yes or no” answer

Please attach the following documents to the application form:

- certified copy of National Identity Document (photocopied on both sides);
- proof of residence;
- signed and up-to-date curriculum vitae;
- police clearance report;
- ITC credit clearance certificate;
- tax compliance certificate (not graded tax certificate);
- documentary evidence that the applicant is a member of the co-operative and is in good standing (reference letter from co-operative); and

Form 1C: Annual compliance report for Savings and Credit Cooperative Societies

Name of Reporting SACCO: _____

Reporting Year: _____

Instructions

Please complete the form below by entering Yes or No. Where a requirement has not been complied with please list the areas and provide detailed explanation on separate paper.

Reference	Description of regulatory requirement	Yes/No
Licensing Conditions	The SACCO has complied with all the licensing conditions of the previous licence.	
SACCOs Guideline 2	The SACCO has complied with Guideline 2 relating to SACCOs permissible activities.	
SACCOs Guideline 3	The SACCO has complied with Guideline 3 relating to the governance and management of SACCOs.	
SACCOs Guideline 4	The SACCO has complied with Guideline 4 relating to the governance of related party transactions.	
SACCOs Guideline 5	The SACCO has complied with Guideline 5 relating to the preservation of adequacy capital, policies and periodic prudential reporting.	
SACCOs Guideline 6	The SACCO has complied with Guideline 6 in terms of putting in place sufficient policies, systems and processes for ongoing identifying, measuring, and controlling material risks inherent in the operations of the SACCO.	
SACCOs Guideline 7	The SACCO has complied with Guideline 7 in terms of putting in place sufficient policies, systems and processes for ongoing identifying, measuring, and controlling credit risks inherent in the lending processes of the SACCO.	
SACCOs Guideline 8	The SACCO has complied with Guideline 8 relating to the classification of delinquent loans and the raising of the necessary loan loss provisions in the quarterly returns and the audited annual financial statements.	
SACCOs Guideline 9	The SACCO has complied with Guideline 9 relating to management of concentration risks and large exposures.	
SACCOs Guideline 10	The SACCO has complied with Guideline 10 relating to liquidity management and monthly reporting.	
SACCOs Guideline 11	The SACCO has complied with Guideline 11 relating to investments management.	
SACCOs Guideline 12	The SACCO has complied with Guideline 12 relating to internal controls and no material breaches in internal controls have been identified during the reporting period	
SACCOs Guideline 13	The SACCO has complied with Guideline 16 relating to annual financial reporting and external audit	

(MLTFP Act) & SACCOs Guideline 14	The SACCO has complied with the all the provisions of the Money Laundering and Financing of Terrorism (Prevention) Act 2011 (as amended and Guideline 14.	
SACCOs Guideline 15	The licensee has complied with guideline 15 relating to the protection of members rights in terms of all necessary disclosures and consumer information protection.	
SACCOs Guideline 16	The SACCO has complied with Guideline 16 relating to prudential reporting returns.	
Consumer Credit Act, 2016 (CCA)	The SACCO has generally complied with all the provision of the CCA, relating to lending.	
Other Laws and regulations	In general the SACCO has put in place sufficient controls to ensure compliance with all relevant laws and regulations which the SACCO is required to comply to.	

Non Compliance

In case of non-compliance; the SACCO hereby discloses the following areas of non-compliance and the steps taken by the licensee to rectify such non-compliance. *(Please list the areas and provide detailed explanation on separate paper).*

Declaration

We aware that it is an offence, in terms of the FSRA act, 2010, to knowingly or recklessly provide any information to the Authority which is false or misleading. We certify that the information given above is complete and accurate to the best of our knowledge, and that there are no other facts relevant to this report of which the Authority should be aware of. We undertake to inform the Authority of any material changes which may arise while the application is under consideration.

Signed on behalf of the SACCO

(1) Chairperson:

Signature Name.....Date.....

(2) Principal Officer/Office Manager:

Signature Name.....Date.....

APPENDIX 2: REPORTING FORMS

Form 1A: Statement of Financial Position

FORM 1A	STATEMENT OF FINANCIAL POSITION	NOTES	SZL'000
1.0	Cash & Cash Equivalents	1	0.00
2.0	Prepayments & Sundry Receivables		
3.0	Financial Investments	2	0.00
4.0	Net Loan Portfolio		0.00
4.1	Gross Loan Portfolio		0.00
4.2	Less: Provision for Loan Loss		0.00
5.0	Accounts Receivables		0.00
5.1	Tax Recoverable		
5.2	Deferred Tax Assets		
5.3	Retirement Benefit Assets		
5.4	Other Accounts Receivables		
6.0	Property & Equipment & Other assets		0.00
6.1	Land & Buildings		
6.2	Plant & Equipment		
6.3	Prepaid Lease rentals		
6.4	Intangible Assets		
6.5	Other Assets		
7.0	Total Assets		0.00
LIABILITIES & EQUITY			
8.0	Total Deposit liabilities	3	0.00
9.0	Other Liabilities		0.00
9.1	Accounts payable		
9.2	Tax Payable		
9.3	Dividends Payable		
9.4	Deferred Tax Liability		
9.5	Retirement Benefits Liability		
9.6	Other Liabilities		
9.7	External Borrowings		
10.0	Total Short Term Liabilities		0.00
11.0	Long Term Liabilities		0.00
11.1	Long Term Loans		
11.2	Other Long Term Liabilities		
12.0	Total Liabilities		0.00
13.0	EQUITY		0.00
13.1	Permanent and Non-withdrawable shares	4	0.00
13.2	Capital Grants and Donations		
14.0	Retained Earnings		0.00
14.1	Prior Retained Earnings		
14.2	Current Surplus		0.00
15.0	Other Equity Accounts		0.00
15.1	Statutory Reserves		
15.2	General Reserves		
15.3	Revaluation Reserves (Not part of core capital)		
15.4	Proposed Dividends		
15.5	Adjustment to Equity		
16.0	Total Equity		0.00
17.0	Total Liabilities and Equity		0.00

Notes to the Statement of Financial Position

NOTE 1 - CASH AND CASH EQUIVALENTS	
Cash and Bank Balances:	SZL'000
Cash in Hand	
Swaziland Building Society	
First National Bank	
Nedbank Swaziland	
Standard Bank Swaziland	
Swazi Bank	
Other	
TOTAL	0

NOTE 2 - FINANCIAL INVESTMENTS	Maturing In 91 Days or Less (SZL'000)	Maturing Over 91 Days or More (SZL'000)	Total Emalangeni Equivalent
DOMESTIC INVESTMENTS			
Swaziland Building Society (Permanent Shares)			0
Swaziland Government Bonds/T-Bills			0
STANLIB Money Market			0
African Alliance Money Market			
SANLAM Money Market			
Old Mutual money market			
JM Busha			
Ecsponent			
Balances with other SACCOs			
Investment in Subsidiaries			
Other			
TOTAL INVESTMENTS	0	0	0

NOTE 3 - TOTAL DEPOSIT LIABILITIES	Number of Accounts	Value of Non- Withdrawable	Savings payable to members	Total
Non-withdrawable Savings				0
Term Deposits				0
TOTAL SAVINGS	0	0	0	0

NOTE 4 - SHARES	Number of Accounts	Value of Non- Withdrawable	Share payable to members	Total
Permanent and Non-withdrawable Shares				0
Redeemable Shares				0
TOTAL SHARES	0	0	0	0

Form 1B: Statement of Financial Performance

FORM 1B	STATEMENT OF FINANCIAL PERFORMANCE	
S/N	DETAILS	SZL'000
1.0	Financial Income	0.00
1.1	Financial income from Loans Portfolio	0.00
1.1.1	Interest on Loan Portfolio	
1.1.2	Fees & Commission on Loan Portfolio	
1.2	Financial Income from Investments in:	0.00
1.2.1	Income from Government Securities	
1.2.2	Income from Deposits with Banks and other FIs	
1.2.3	Income from other Investments	
1.3	Other Financial Income	
2.0	Financial Expense	0.00
2.1	Interest expense on Savings and Deposits	
2.2	Cost of External Borrowings	
2.3	Dividend Expenses (on member shares)	
2.4	Fees & Commission Expense	
2.5	Other Financial Expenses	
3.0	Net Financial Income/Loss	0.00
4.0	Allowance for Loan Loss	0.00
4.1	Provision expense for Loan Losses	
4.2	Value of loans Recovered	
5.0	Operating Expenses	0.00
5.1	Personnel Expenses	
5.2	Governance Expenses	
5.3	Marketing Expenses	
5.4	Depreciation and Amortisation Charges	
5.5	Administrative Expenses	
6.0	Net Operating Income	0.00
7.0	Net Non-Operating Income/(Expense)	0.00
7.1	Non-Operating income	
7.2	Less: Non-Operating Expense	
8.0	Net Income (Before Donations)	0.00
9.0	Add: Income Donations	
10.0	Net Income/(Loss)	0.00

Form 2A: Capital Adequacy Report

S/N	CAPITAL ADEQUACY	Current Quarter
		SZL'000
1.0	Institutional Capital Components	
1.1.1	Statutory Reserves	0.00
1.1.2	Retained Earnings	0.00
1.1.3	Current net Surplus	0.00
1.1.4	Capital Grants & Donations	0.00
1.1.5	General Reserves	0.00
1.1.6	Revaluation Reserves (<= 20% of Inst. Capital)	
1.1.7	Sub-Total	0.00
Less Deductions		
1.1.8	Current Year Net Loss (100%)	0.00
1.1.9	Equity Instruments in Other Financial Inst./SACCOs	0.00
1.1.10	Investment in Subsidiaries	0.00
1.1.11	Other Deductions	
1.1.12	Total Deductions	0.00
1.1.13	Institutional Capital	0.00
2.0	Capital Ratio Calculations	
2.1	0.00	0.00
2.2	Institutional capital to Asset ratio	0
2.3	Minimum Institutional Capital to Asset ratio	0.08
2.4	Excess or Deficiency	-0.08

Form 2B: Liquidity Report

S/N	LIQUIDITY	(SZL'000)
1.0	Notes and Coins	0.00
1.1	Local Notes and Coins	
2.0	Balances with Commercial Banks	0.00
2.1	Balances with Commercial Banks	
	Less:	
2.2	Time Deposits with Banks more than 91 days	
2.3	Balances Due to Banks	
3.0	Other Liquid Assets	0.00
3.1	Short Term Investments with other eligible FIs	
3.2	Less: Balances due to Other FIs	
4.0	Government Securities	0.00
4.1	T Bills	
5.0	Total Liquid Assets	0.00
5.1	Liabilities due in 90 days	
5.2	Net Liquid Assets	0.00
6.0	Savings and Redeemable Shares Balances	0.00
6.1	Members Savings including Interest	
6.2	Deposits from all other Sources Including Interest	
6.3	Redeemable Shares	
7.0	Liquidity Ratio	
7.1	Net Liquid Asset	0.00
7.2	Total Deposits	0.00
7.3	Liquidity Ratio	0
7.4	Minimum Liquidity ratio	15.00
7.5	Excess/(Deficit)	-15.00

Form 3A: Loan Portfolio Ageing Report

LOAN PORTFOLIO AGEING REPORT							
NO.	Classification	No. of A/Cs	Outstanding Loan Portfolio	Less: 80% of Savings used as Security	Exposure	Required Provision	Required Provision Amount
			(SZL'000)	(SZL'000)	(SZL'000)	(SZL'000)	(SZL'000)
	Performing Classification					0	0
	Watch Classification					0.05	0
	Substandard Classification					0.25	0
	Doubtful Classification					0.5	0
	Loss Classification					1	0
Subtotal Classification		0	0	0	0		0
NO.	Rescheduled/ Renegotiated Loans	No. of A/Cs	Outstanding Loan Portfolio	Less: 80% of Savings used as Security	Exposure	Required Provision	Required Provision Amount
			(SZL'000)	(SZL'000)	(SZL'000)	(SZL'000)	(SZL'000)
	Performing Rescheduled/ Renegotiated Loans					0.01	0
	Watch Rescheduled/ Renegotiated Loans					0.05	0
	Substandard Rescheduled/ Renegotiated Loans					0.25	0
	Doubtful Rescheduled/ Renegotiated Loans					0.5	0
	Loss Rescheduled/ Renegotiated Loans					1	0
Subtotal Rescheduled/ Renegotiated Loans		0	0				0
GRAND TOTAL		0	0				0

Form 3C: Investments Report

Ref. No.	INVESTMENTS	Amount (SZL'000)
1.1	Institutional Capital	0.00
1.2	Non-earning Assets(Other than Land, Buildings)	0.00
1.3	Non-Governmental Financial Investments	0.00
1.4	Land & Building (Per balance sheet)	0.00
2.0	Land & Buildings to Institutional Capital	0
2.1	Maximum Land & Building to Institutional Capital	10.00
2.2	Excess (deficiency) (2.0 less 2.1)	-10.00
3.0	Non-Government Financial Investments to Institutional capital	0
3.1	Maximum Non-Government Financial Investments to Inst. Capital	40.00
3.2	Excess (deficiency) (3.0 less 3.1)	-40.00
4.0	Non-earning Assets to Institutional Capital	0
4.1	Maximum Non-earning Assets to Institutional Capital	5.00
4.2	Excess (deficiency) (4.0 less 4.1)	-5.00

Form 4A: Statistics Report

STATISTICS REPORT	Current Period (Number)	Current Period (SZL '000)
Total Membership	0	
Males		
Females		

Total number of Employed Staff	0	
Males		
Females		

Total Loan Disbursements	0	0.00
Males		
Females		

Gross Loan Portfolio	0	0.00
Males		
Females		

Total Savings	0	0.00
Males		
Females		

Loans to Board Members and Staff	0.00	0.00
Board Members		
Staff		

APPENDIX 3: DEFINITION OF KEY TERMS

Term	Definition
Accounts Payable	Balances of funds owed to suppliers or money owed for goods or services purchased on credit by SACCO
Accounts Receivables	Total amount owed or due to the SACCO excluding members loans
Adjustments to Equity	These are any adjustments to account for subsidised funds.
Administrative Expenses	These include all other operating expenses not included in the previous four categories such as electricity, water, rent, supplies, transportation, security, equipment repair and maintenance, Audit fees, supervisory and recoverable expenses, communications and consulting fees which are necessary for conducting SACCO business. It may also include certain taxes related to administration, such as a value-added tax. These expense categories may be listed as separate line items as appropriate.
Allowance for Loan Loss	This is the value of provision expense for loan losses less value of loans recovered or The net expense amount/ portion of the Gross Loan Portfolio that has been provisioned in anticipation of losses due to default less value of loans recovered.
Assets	Something of value to SACCO that can be used to repay debt
Balances Due to Banks	Deposits or other balances due to commercial banks.
Balances with Commercial Banks	Total amount of balances (overnight, call and time) held at domestic commercial banks excluding un-cleared effects. These balances should include accrued interest.
Balances with other Financial Institutions other than Banks and SACCO	The total of all balances (overnight, call and time) placed by the SACCO with financial institutions (development financial institutions, Asset managers, building societies etc.), excluding un-cleared effects but including accrued interest.
Balances with other SACCO	Enter the total of all balances (overnight, call and time) placed with other SACCOs including accrued interest but excluding un-cleared effects.
Capital	Capital represents net worth and ownership of an enterprise. It can be measured by the excess of assets over liabilities.
Capital Grants (Equity in nature)	These are grants, which are not callable and donations received recognized as equity donations.
Cash & Cash Equivalent	Cash in hand plus Cash at bank
Cash at bank	These include: Placements by the SACCO with banks
Cash in hand	Notes and coins (cash on hand) on the SACCOs premises which are legal tender in Swaziland

Core Capital	The fully paid up members' shares, capital issued, disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the SACCO less revaluation reserves, current year net loss, investment in subsidiaries and equity instruments in other financial instruments.
Compliance Officer	Refers to an individual who ensures a company complies with its outside regulatory requirements and internal policies.
Concentration Risk	Concentration risk is a term describing a situation when SACCO's outstanding accounts/ loans are not evenly distributed and are heavily concentrated to few members or certain economic sectors.
Conflict of Interest	A conflict of interest is a situation in which a person or organization is involved in multiple interests, financial or otherwise, and serving one interest could involve working against another.
Cost of External Borrowings	Include interest and fees incurred by SACCO on external borrowings and overdrafts.
Current Years' surplus or loss	Disclose the current year's net income (after distribution to statutory reserves and proposed dividends, before donation).
Deferred Tax Assets	These are taxes recoverable in future periods in respect of: (i) Deductible temporary difference (ii) The carry forward of unused tax losses (iii) The carry forward of unused tax credits
Deferred Tax Liability	These are taxes payable in future periods in respect of taxable temporary difference.
Deposits from all other sources including interest	Enter total deposits from all other sources, including accrued interest, but excluding un-cleared effects.
Deposits with Banks and other Financial Institutions	Balances with commercial banks, SACCOs and other financial institutions.
Depreciation and Amortization Charges	These are non-cash expenses that reduce the value of an asset over time due to wear and tear or obsolescence.
Dividend Expense	Expense incurred on member shares.
Dividend Payable	These are dividends that have been cleared or approved by a SACCO but not yet paid to members.
Donations	Value of all donations recognized as revenue during the period, whether restricted or not. (Total of Donations for Loan Capital and Donations for Operating Expenses).
Doubtful Loans	Loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between one hundred and eighty one (181) to three hundred and sixty (360) days or where seven (7) to twelve (12) instalments have remained outstanding.

Equity	Represents what members own and is measured by the excess of assets over the liabilities. This includes member capital shares, reserves and undivided earnings. Also known as capital
External Borrowings	These include all external borrowings from banks, microfinance and other financial institutions.
Fees and Commissions expense	This includes all charges (fees) and commissions relating to account operations such as bank charges, ledger fees, cheque and money transfer commissions but excluding interest on overdrafts.
Fees and Commissions on Loan Portfolio	Penalties, commissions, and other fees earned on the loan portfolio.
Financial Expense	Total of interest and fee expense on members savings and deposits and external borrowings.
Financial Income	The total value of all income earned by a SACCO from the provision of financial services. Total of Financial Income from Loan Portfolio, Financial Income from Investments and Other Operating Income.
Financial Income from Investments	Revenue from interest, dividends, and other payments generated by financial assets such as government securities and deposits with banks and other financial institutions. This may include net trading income (gains less losses) from securities and the recovery of any interest revenue that was previously written off.
Financial Income from Loan Portfolio	Income from interest earned on the loan portfolio. This includes not only interest paid in cash but also interest accrued but not yet paid.
Financial Investments	Any funds that are placed into financial instruments for the purpose of producing income or a profit
General Reserves (Include all loss)	These are reserve provisions to cover other non-performing receivable accounts.
Governance Expenses	These include the cost of travel, per diem, honoraria or meetings for board members, board committee expenses, member's education, Annual general meeting expenses and national or other co-operative representation dues.
Government Securities	These are treasury bills and treasury bonds issued by the Government of Swaziland
Gross Loan Portfolio	These are loans and advances before adjustments for allowance for loan loss.
Gross Non-performing loans and advances	Enter the gross aggregate of substandard, doubtful and loss accounts inclusive of interest suspended.
Income from Government securities	Net interest income earned from Treasury Bills and Bonds issued by the Government of Swaziland.
Income from other Investments	These include net interest income earned from any other investments including corporate bond, commercial paper and bearer bonds not covered elsewhere.

Interest income from Deposits with Banks and other Financial Institutions	Net Interest income earned from balances with commercial banks, SACCOs and other financial institutions
Institutional Capital	Institutional Capital comprises of all items in the Core Capital less Share Capital.
Intangible Assets	Include all intangible assets such as computer software etc.
Interest Expense on Savings and Deposits	Interest and fees incurred on all savings and deposits taken by the licensed SACCO Society.
Interest on Loan Portfolio	Interest earned on the loan portfolio.
Investment in Equity Instruments of Other Institutions	This is investments made by a SACCO in equity instruments of other institutions.
Investment Properties	This is as defined in IAS 40 as a property (land or a building or part of a building or both) held by the SACCO Society to earn rentals or for capital appreciation or both.
Investment in Subsidiary	These are investments in a SACCO's subsidiary institutions and other financial institutions.
Investments in companies-shares/stock	Equity investments by the SACCO in companies (public or private) including subsidiaries.
Liabilities	Legal obligation to repay a debt or outstanding legal and financial obligations
Loans and Advances	These refer to facilities advanced to members whether secured or not. These need to be reported net of provisions which must be computed in accordance with Classification of Assets and Provisioning Return.
Long-term Liabilities	These are long-term (payable after 12 months) financial and legal obligations.
Loss Loans	Loans which are considered uncollectible or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained un-paid for more than three hundred and sixty (>360) days or where more than twelve (>12) instalments have remained outstanding.
Marketing Expenses	These include any expense related to marketing or promotion such as advertising, publicity campaigns, etc.
Net Financial Income/Loss	The net value of earnings arising from Financial Income Less Financial Expenses.
Net Income	All net earnings from the SACCO's operations. Total of Net Operating Income and Net Non-Operating Income (Expenses) less Donations.
Net Income (Before Donations)	All net earnings from the SACCO's operations before the inclusion of donations [Total of Net Operating Income and Net Non-Operating Income (Expenses)].

Net Non-Operating Income/(Expenses)	The net earnings from products and services not directly related to core operations of SACCOs derived from the total income less total expenses. SACCOs should disclose large material amounts of non-operating revenue separated by creating accounts under “Non-Operating Income” or “Non-Operating Expense”.
Net Operating Income	These are value of earnings from Net Financial Income/loss less Allowances for Loan Losses and less Operating Expenses.
Net Surplus, Current Year to Date	This is current year to date un-audited after tax profits. The SACCO must have made adequate provisions for loan losses, depreciation, amortization and other expenses. In arriving at the applicable figure, any proposed dividends would have been taken into account. This should however exclude reserves arising from revaluation of investment properties and cumulative unrealized gains and losses on financial instruments. In case of a loss, full amount should be included.
Non-Basic Activities	These are business activities that are beyond the scope of a SACCO’s core function.
Non-Earning Assets	Assets that do not generate income such as receivables, equipment, software, etc.
Non-Operating Expenses	All expenses not directly related to the core SACCO business, such as the cost of providing business development services or training. This account also includes any exceptional losses and expenses. Large or relevant expense categories should be listed as separate line items as appropriate.
Non-operating Income	All income not directly related to core SACCO business, such as revenue from business development services, training, consulting services, sale of merchandise, property leases and others. It also includes any exceptional gains and revenues. Large or relevant non-operating revenue categories should be listed as separate line items as appropriate. Note: This account does not include grants and donations.
Off-Balance Sheet Assets	In this line, indicate computed off-balance sheet assets such as existing guarantees by the SACCOs.
Operating Expense	The total values of all operating expenses which include, Personnel, Governance, Marketing and Administrative Expenses, incurred in providing financial services.
Other Assets	These are other assets, which have not been dealt with in other fields.
Other financial expenses	These are any other financial expenses not specified above arising from normal business operations.
Other Financial Income	All other income from provision of financial services, including transaction fees, premiums, membership fees, passbooks, etc.
Other Liabilities	Include all other liabilities due not specified elsewhere.
Other Reserves	These are all other reserves, which have not been included elsewhere. Such reserves should be permanent, unencumbered, uncollectible

	and thus able to absorb losses. Further, the reserves should exclude cumulative unrealized gains and losses on available-for-sale instruments.
Other Securities	Commercial papers and bonds.
Performing Loans	Loans which are performing according to contractual terms.
Permanent Non-Withdrawable shares	Member shares that are redeemable only when the member ceases membership.
Permissible Activities	These are lines of financial business that can be conducted by a SACCO licensed by the FSRA.
Personnel Expenses	Includes total staff (permanent and casual) costs such as salaries, wages, uniforms, leave allowance, medical expenses, benefits and bonuses, as well as employment taxes. It also includes the cost of employee recruitment and initial orientation expenses.
Prepaid Lease Rentals	This relates to the cost of the leasehold land and building net of accumulated amortized amount.
Prepayments	These are payments made before they are due or payments in advance.
Prior Years' Retained Earnings	These are undistributed profits or losses carried forward over the years. Disclose the retained earnings carried from previous years here.
Property and Equipment	These are assets acquired for use in the operation of the SACCO or for investment purposes, e.g. furniture, computers, freehold and leasehold land and buildings. They should be shown net of accumulated depreciation, amortized cost, or at fair value.
Proposed Dividend	These are dividends that have been proposed by the Board but have not been ratified by the Annual General Meeting.
Problem Assets	An asset is defined as a problem asset when there is reason to believe that all amounts due, including principal and interest, will not be collected in accordance with the contractual terms of the agreement.
Provision expense for Loan Losses	This is the non-cash expense calculated as a percentage of the portfolio report and is used to create or increase the Allowance for Loan Losses on the Balance Sheet.
Provision for Loan Loss	The portion of the Gross Loan Portfolio that has been provisioned in anticipation of losses due to default. It represents the cumulative value of the impairment losses less the cumulative value of loans written off.
Redeemable share-capital	Value of share capital that can be redeemed or bought back by a SACCO after a certain period or on fixed date.
Rescheduled/Renegotiated loans	Loans whose original terms have been varied through refinancing or restructuring, etc.

Retained Earnings/Accumulated Losses	These are reserves retained from earnings or accumulated losses from the profits/losses of prior years. They should however exclude reserves arising from revaluation of investment properties and cumulative unrealized gains and losses on financial instruments.
Retirement Benefit Assets	These are staff retirement benefit assets computed as per IAS 19.
Retirement Benefits Liability	These are retirement benefits liability as accounted for under IAS 19.
Revaluation Reserve	These are revaluation surpluses/losses arising from revaluation of properties, equipment and financial instruments.
Related Party	A related parties includes business affiliates, shareholders, subsidiaries, and minority-owned companies, whereby related party transactions can include sales, leases, service agreements, and loan agreements.
Risk Management Framework	A risk management framework is a set of components that set out the organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout an entity.
Savings Deposits	Deposits received from members that may be used as collateral against borrowings by the members and are refundable only when the member ceases membership.
Share Capital	This is the value issued and fully paid members shares.
Short-term investments	The total of all balances placed by the SACCO with financial institutions (Asset managers, etc.), for the purpose of earning income or a profit including accrued interest.
Short-term Liabilities	These are short-term (payable within 12 months) financial and legal obligations.
Statutory Reserves	These are accumulated reserves that have been appropriated from net surplus (revenue reserves) over the years.
Substandard Loans	Loans not adequately protected by the current repayment capacity and the principal or interest have remained un-paid between thirty one (31) to one eighty (180) days or where two (2) to six (6) instalments have remained outstanding.
Tax Payable	This relates to tax liability computed but not yet paid.
Tax Recoverable	This is tax that is recoverable as a result of overpayment of tax in the previous periods.
Term Deposits (e.g. Fixed deposits, special savings)	Deposits mobilized from members that the SACCO is liable to pay on a fixed date.
Time Deposits with Banks more than 90 days	Bank deposits including accrued interest whose maturities exceed 91 days.
Total Deposits Liabilities	Total members' deposit figure as reported in the Balance Sheet for the period should be indicated in this line.

Treasury Bills	The amortized cost of all Swazi Government Treasury Bills investments, net of encumbered Treasury Bills. Encumbered Treasury Bills are those pledged to secure any form of credit facility granted to the reporting SACCO.
Treasury Bonds	The amortized cost or fair value of all treasury bonds/bearer bonds traded in the Swaziland Stock Exchange acquired by the reporting SACCO directly from the government and its issuing agents and those discounted from third parties.
Value of Loans Recovered	Total value of principal recovered on all loans previously written off. This includes principal on partially recovered loans and those recovered in full. Subsequent recoveries of loans previously written off decrease the amount of the Provision for Loan Losses, and the net amount is booked as Allowance for Loan Losses.
Watch Loans	Loans whose principal or interest has remained un-paid for one day to thirty days or where one instalment is outstanding.