

REGULATION OF FINANCIAL COOPERATIVES: The Case of Malawi

MTCHAI SI CHINTENGO

CHIEF EXAMINER – MICROFINANCE INSTITUTIONS & SACCOS

RESERVE BANK OF MALAWI

Background

Prior to 2010, SACCOs like all other cooperatives were under the Ministry of Industry and Trade.

An umbrella financial sector law: The Financial Services Act was passed in 2010. The FSA appoints the Governor of the RESERVE BANK OF MALAWI as the Registrar of all financial institutions. It also defines/designates SACCOs as financial institutions therefore making SACCOs subject to Regulation.

In 2011, a SACCO specific legislation, the Financial Cooperatives Act was passed.

<http://www.rbm.mw/legislation.aspx>

Beginning 2012 until early 2013, all SACCOs that were already existing were given provisional licenses. They have until March 2015 to meet the licensing requirements and apply for a substantive licence.

The SACCOs are currently subject to:

- Quarterly reporting requirements
- On-site examinations
- Registrar's directions and enforcement actions

Draft Directives

- Licensing of SACCOs Directive
- Asset Classification Directive
- Financial Reporting Requirements Directive
- Liquidity Management Directive
- External Borrowing Directive
- Minimum Capital Requirements Directive
- Premises Inspection Directive

Who should Regulate?

..... AND WHO PAYS?

The choice of who should regulate financial institutions depends on a number of factors which include government policy, human resource capacity and financial capacity. The regulator can be a government ministry or department, a semi-autonomous institution or an autonomous institution.

The lack of enabling regulations affects the safety and soundness of financial cooperatives. Considering that financial cooperatives are already in existence in our countries, regulation is imperative if our financial cooperatives are to grow, provide quality member products and services and contribute to the fight against poverty.

OPTIONS

- Government department
- Semi-autonomous Organisation
- Autonomous Organisation
- Regulator of Banks (Reserve Bank of Malawi)

In Malawi, the Registrar of Financial Institutions, who is the Governor of the Reserve Bank of Malawi, is the regulatory authority for all financial institutions including financial cooperatives.

It is the policy of the government to have one regulator for all financial institutions in order to leverage on financial resources, available knowledge, skills and information network for regulation and supervision of financial institutions.

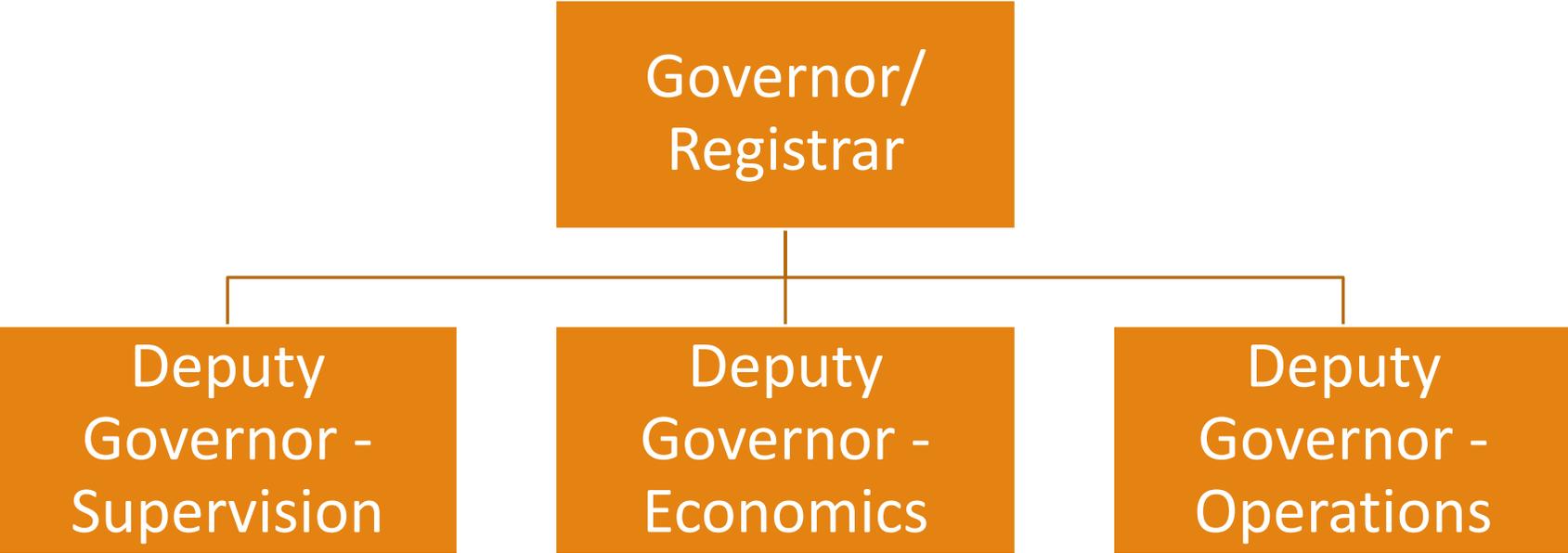
Currently the Reserve Bank of Malawi currently directly supervises 19 SACCOs. These SACCOs account for 70% to 80% of the entire SACCO movements' assets, loans and deposits.

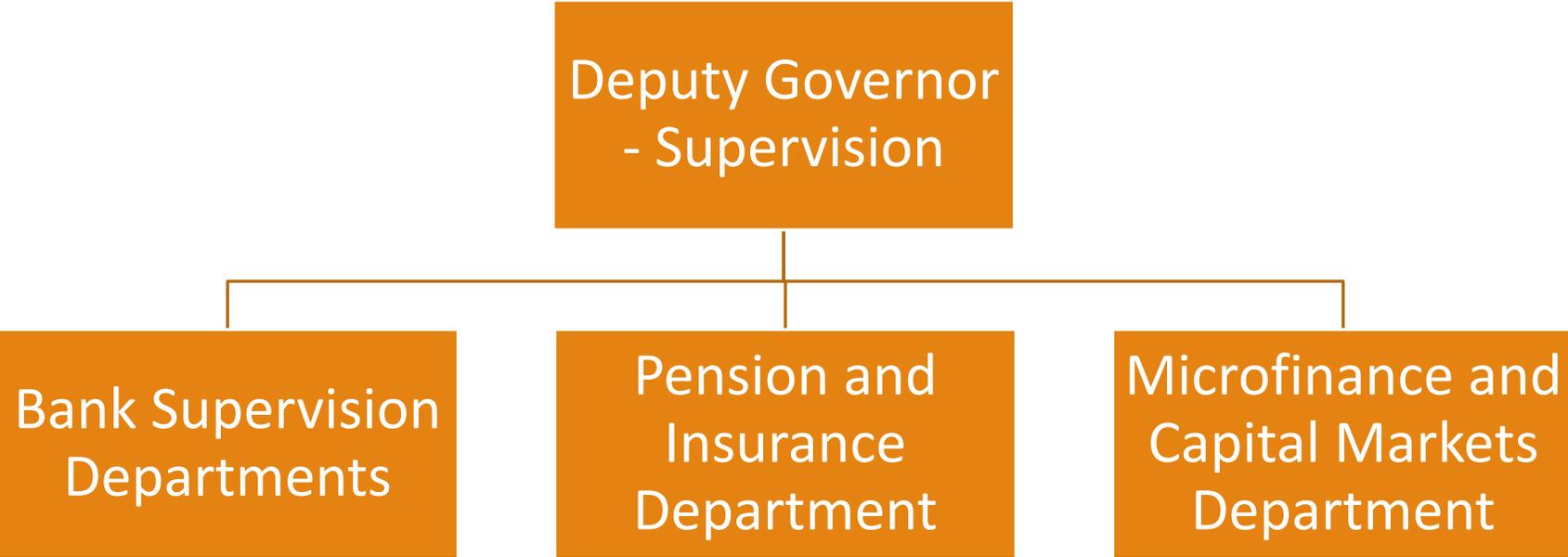
The supervision of all other SACCOs is delegated to MUSCCO under an MOU. The ultimate responsibility for regulating these smaller SACCOs still rests with the Registrar, therefore we work hand in hand with MUSCCO especially where enforcements of laws and regulations is concerned.

Relationship with MUSCCO

- Financial Support
- Capacity Building
- Joint initiatives e.g. workshops and training for SACCOs
- Consultations on laws and regulations
- Resolution of problems in SACCOs

Organisational Structure





Future Plans

- Licensing of qualifying SACCOs
- Revising the regulatory framework
- Deposit Guarantee Scheme
- Shared IT Platform for small SACCOs