

No.RCS/CLC/KYC/2009/188
Government of Puducherry
Co-operative Department

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Puducherry, the 14th October 2010

**DIRECTIONS ISSUED UNDER SECTION 81 OF THE PUDUCHERRY
CO-OPERATIVE SOCIETIES ACT, 1972**

Sub: Collection of fixed deposit amount by the co-operative societies –
Directions under Section 81 of the Puducherry Co-operative
Societies Act, 1972 –Issued.

WHEREAS the co-operative societies functioning in this Union territory of Puducherry receive fixed deposits from members and associate members;

AND WHEREAS it is brought to the notice of this Department that there is a likelihood of societies being used for parking of unaccounted money as well as for laundering of money. A time has come where societies are required to put in place a comprehensive policy framework covering Know Your Customer (KYC) standards and Anti Money Laundering (AML) measures to assist law enforcement authorities in combating financial crimes;

AND WHEREAS with a view to secure the proper management of the business of the societies generally and for preventing the affairs of the societies being conducted in a manner detrimental to the interest of the members and depositors the undersigned is satisfied that directions are to be issued to the societies which collect fixed deposits from the members in order to monitor and regulate such deposits;

NOW, THEREFORE, in exercise of the powers conferred under sub-section (1) of Section 81 of the Puducherry Co-operative Societies Act, 1972, the following directions are issued by the undersigned to the societies in the matter of receipt of fixed deposits, namely.:

(1) Procedure to be followed for opening fixed deposit accounts .-

- (i) Only such societies which have set of regulations, approved by this Department, for receipt of fixed deposit shall receive deposits from members and associate members.

- (ii) Fixed deposits shall be received only from individuals, in joint names, co-operative societies and in the name of the minors. Deposits shall not be received from clubs, registered societies under the Societies Registration Act, Hindu undivided family, partnership and companies. In case of deposits already received from such organizations they shall be refunded on maturity and shall not be renewed further.
- (i) When fixed deposits are received from individuals, the following documents should be invariably obtained from them:
 - a. One certified copy containing the photograph of the individual containing details of his permanent address, current address (e.g., electoral photo identity card, identify card issued by the employer, pass port, driving license etc.);
 - b. Two copies of his recent photograph (need not be obtained every time he deposits in a new account or renews the deposit).
 - c. One photograph shall be affixed in the application for opening fixed deposit account and the other photograph shall be affixed in the fixed depositors register.
 - d. Application containing full details of the applicant and his nomination, etc.
- (ii) In case of a minor account, often a family member or guardian would open an account for a minor. In case where the adult opening the account does not already have an account with the society, the identification proof of that adult should be obtained. In case of self operated minor accounts, in addition to the photograph and proof of age, the documents required to establish the identity and address as applicable in case of individuals be obtained.
- (iii) In case of joint accounts or 'either or survivor' accounts, applicants who are not closely related to each other (as can be inferred from the account opening form) would require to establish their identity and address independently.
- (iv) The fixed deposit shall be received only from members and associate members. Receipt of fixed deposits from outsiders shall be discouraged.
- (v) Care shall be taken while opening fixed deposit in joint names and in the name of a minor. In case of joint accounts the application shall be signed by all the account holders and in case of refund or foreclosure the request shall be signed by all of them.

(2) Procedure for maintenance of fixed deposit register and receipts.-

- (i) For printing of fixed deposit receipt books proper account is to be maintained by authorized officer/official.
- (ii) When the book containing fixed deposit receipts are issued to the official in charge, acknowledgment should be obtained from him in the register to be maintained for this purpose.
- (iii) The number of fixed deposit receipts containing in the receipt book should be certified by a responsible officer of the society.
- (iv) The unused fixed deposit receipts should be kept in safe custody.
- (v) All the required registers like fixed depositors register, fixed deposit maturity/due date register shall be maintained by the societies.

(3) Procedure for operating fixed deposits.-

- (i) The rate of interest on deposits shall not exceed the maximum rates communicated by this Department from time to time.
- (ii) While receiving fixed deposits, the societies should ensure that they could meet the eventualities of foreclosure of deposit by members and the societies are in a position to meet the commitment immediately. Sufficient funds should be kept in reserve at all times and delay in meeting the commitment will erode public confidence on societies as a whole.
- (i) Fixed deposits exceeding Rs.20,000 shall not be received in cash and should be received only in the form of account payee cheque or draft. Similarly in the matter of repayment of deposits, the instructions issued vide Circular No.5/4/2/142/RCS/E/92/312 dated 8.3.1996 (copy enclosed) shall be followed scrupulously.
- (ii) The fixed deposit receipts should be signed by the authorized officers and a resolution shall be passed in the meeting of the committee authorizing the officers who are competent to sign the fixed deposit receipts. Such receipts shall be issued to the depositors only after the clearance of the cheque or draft given by the depositors and delay in issuing the fixed deposit receipts shall be avoided.

Fixed deposit receipt should contain important points like rate of interest, amount of deposit both in words and figures and the date of maturity etc.

(4) Procedures in case of sanction of loan on/foreclose of fixed deposits.-

- (i) When applications are received for obtaining loan on or foreclose of fixed deposits, the procedure spelt out in the regulations shall be strictly followed in the matter of quantum of loan and levy of interest.
- (ii) In case of joint account, the application shall be signed by all the depositors.
- (iii) When loan is sanctioned against a fixed deposit it shall be indicated in the concerned page of the account and at the time of making payment on maturity of such deposit. Care should be taken to adjust the loan, if the loan account is not closed till then.

The societies receiving fixed deposit shall follow the directions in letter and spirit and if any deviation is found, the same shall be viewed seriously and action will be taken against the errant in accordance with law.

The receipt of the directions shall be acknowledged forthwith.



(B.R. BABU)

REGISTRAR OF CO-OP. SOCIETIES

To

The President/Administrator/Special Officer/
Managing Director/Secretary
All the co-operative societies in the Union
territory of Puducherry.

Copy to:

- (i) The Deputy Registrar (Audit) & Regional Officers - *The contents of these directions are to be brought to the notice of the auditors. The auditors shall ensure that the societies do follow the above directions and any variance or violation shall be brought to knowledge of the Registrar by way of a special report.*
- (ii) The Branch Officers – *to ensure effective follow up action.*

No.5/4/2/142/RCS/E/92/312
Government of Pondicherry
Co-operative Department

Pondicherry, the 8.3.1996

C I R C U L A R

Sub: Co-operative Department – Consumer Co-operative
Institutions and Salary Earners Co-operative Credit
Societies – Repayment of deposits – Instructions –
Issued.

It is brought to the notice of this department that in many consumer co-operative institutions and salary earners co-operative credit societies the repayment of fixed deposits is made in cash, irrespective of the amount of deposit. In this connection, it is informed that according to Section 269 (T) of the Income Tax Act, repayment of deposit together with or without interest or interest alone exceeding Rs.20,000 are to be made by an Account Payee Cheque or by and Account Payee Draft. From 1.4.1989 this provision is applicable even to co-operative societies. It is further pointed out that in the event of non compliance of this provision, a penalty equal to the amount of deposit will be levied under Section 271 (E) of the said Act.

The chief executives of the salary earners co-operative societies are requested to keep the provision of the Act in mind and whenever repayment of deposit or interest exceeding Rs.20,000 are made, it should be made only by an Account Payee Cheque or Account Payee Draft.

A. VALAVAN
JOINT REGISTRAR OF CO-OPERATIVE SOCIETIES