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1st Session 1960-61



People's Bank Act, No. 29 of 1961

Date of Assent: May 30, 1961

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People's Bank Act No. 29 of 1961

L. D.—O. 45/60

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF THE PEOPLE'S BANK, TO REPEAL THE CO-OPERATIVE FEDERAL BANK OF CEYLON LTD. (FINANCIAL AID) ORDINANCE, NO. 39 OF 1947, TO MAKE CONSEQUENTIAL AMENDMENTS TO THE CO-OPERATIVE SOCIETIES ORDINANCE, AND TO PROVIDE FOR MATTERS CONNECTED WITH OR INCIDENTAL TO THE MATTERS AFORESAID.

[Date of Assent : 30th May, 1961]

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows :—

1. This Act may be cited as the People's Bank Act, No. 29 of 1961. Short title.

2. (1) There shall be established a bank which shall be called the People's Bank (hereafter in this Act referred to as the Bank) and which shall consist of the persons who are for the time being shareholders of the Bank. Establishment of the People's Bank.

(2) The Bank shall by the name assigned to it by sub-section (1) be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

3. (1) The seal of the Bank shall be judicially noticed and shall be in the custody of the Board of Directors of the Bank. Seal of the Bank.

(2) The seal of the Bank may be altered in such manner as may be determined by the Bank.

4. The purposes of the Bank shall be to develop the co-operative movement of Ceylon, rural banking and agricultural credit, by furnishing financial and other assistance to co-operative societies, approved societies, Cultivation Committees and other persons. Purposes of the Bank.

5. (1) In carrying out its purposes, the Bank may exercise all or any of the following powers :— Powers of the Bank.

(a) to grant, subject to the provisions of sub-section (2)—

(i) short-term, medium-term and long-term loans and other accommodation to co-operative societies.

- approved societies and Cultivation Committees ;
- (ii) short-term, medium-term and long-term loans to co-operative societies, approved societies, Cultivation Committees and individuals for constructing, repairing or renovating buildings ;
 - (iii) short-term, medium-term and long-term loans and other accommodation to any person who intends to carry on or is carrying on any agricultural, industrial or business undertaking which, in the opinion of the Board of Directors of the Bank, is a small-scale undertaking ; and
 - (iv) short-term loans to persons resident in rural areas for the purchase of articles necessary for their personal or domestic requirements ;
- (b) to carry on and transact, subject to such modifications and exceptions as may be prescribed, the kinds of business similar to those carried on and transacted by the Bank of Ceylon under the Bank of Ceylon Ordinance, No. 53 of 1938 ;
 - (c) to carry on the business of a pawnbroker subject to such conditions as may be prescribed ;
 - (d) to provide technical assistance to any person to whom the Bank grants any loan or overdraft, and to undertake or sponsor the training of persons in assessing the value of land and the credit worthiness of borrowers, in assaying gold, in banking and in finance ;
 - (e) to acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property ;
 - (f) to invest the idle funds of the Bank in such securities as the Board of Directors of the Bank may consider appropriate ;
 - (g) to employ such officers and servants as may be necessary for carrying out the work of the Bank ;

- (h) to make rules in respect of the conditions of service and disciplinary control of the officers and servants of the Bank ;
- (i) to establish provident funds and pension funds for, and schemes for the benefit of, such officers and servants, and to make contributions to such funds and schemes from the funds of the Bank ;
- (j) to borrow funds for the purposes of the business of the Bank and to give security for any loans or overdrafts obtained ;
- (k) to enter into contracts ; and
- (l) to do all such other things as are connected with, or incidental to, the exercise of the aforesaid powers.

(2) The Bank shall not exercise the power to grant loans, overdrafts and other accommodation to persons other than co-operative societies until the Minister approves of the exercise of that power generally or in respect of such classes of approved societies or Cultivation Committees or classes of other persons as he may from time to time determine.

(3) The Pawnbrokers Ordinance, No. 13 of 1942, shall not apply to the Bank when the Bank carries on the business of a pawnbroker.

6. The Bank shall have its principal place of business in Colombo and may have such branches and agencies as may be necessary for the proper conduct of the business of the Bank.

Principal place of business and branches and agencies of the Bank.

7. (1) The general supervision, control and administration of the affairs and business of the Bank shall be vested in the Board of Directors of the Bank (hereafter in this Act referred to as the Board).

Management of affairs and business of the Bank.

(2) The Board may exercise all or any of the powers of the Bank.

8. (1) The Board shall consist of the following directors :—

Board of Directors.

- (a) the Commissioner of Co-operative Development who shall be the ex-officio director ;
- (b) two directors appointed by the Minister ;

- (c) one director appointed by the Minister for the time being in charge of the subject of rural development ;
- (d) one director appointed by the Minister of Finance ; and
- (e) three directors appointed or elected as provided in sub-section (2).

(2) The Minister shall appoint the three directors referred to in paragraph (e) of sub-section (1) to hold office in the first instance, and if, for any reason any director so appointed vacates his office prior to the expiration of his term, the Minister shall appoint a successor to serve for the unexpired portion of such term ; and thereafter such directors shall be elected by the general body of the Bank from persons possessing such qualifications, in accordance with such procedure, as may be prescribed.

(3) Subject to the provisions of sub-section (4), the term of office of a director, other than the ex-officio director or a director appointed under paragraph (e) of sub-section (1), shall be three years and the term of office of a director appointed under the aforesaid paragraph (e) of sub-section (1) shall be two years.

(4) If any director, other than the ex-officio director, vacates his office prior to the expiration of his term of office, his successor shall, unless such successor vacates his office earlier, hold office for the unexpired portion of such term.

(5) A director vacating his office by effluxion of time shall be eligible for reappointment or re-election.

(6) A person shall be disqualified for being appointed or elected as a director or for continuing as a director if he—

- (a) is a Senator or a Member of Parliament, or
- (b) is, under any law in force in Ceylon, found or declared to be of unsound mind, or
- (c) is a person who, having been declared an insolvent or a bankrupt under any law in force in Ceylon or in any other country, is an undischarged insolvent or bankrupt, or

(d) is convicted of an offence involving moral turpitude and punishable with imprisonment for a term not less than six months, or

(e) is a director or an employee of a commercial bank other than the Bank.

(7) The Minister appointing a director may, by an instrument signed by him, remove from office such director.

(8) A director elected under paragraph (e) of sub-section (1) shall vacate his office if a motion of no-confidence is passed at a meeting of the general body of the Bank by a majority of the members present and entitled to vote on such motion and his successor shall be elected for the unexpired portion of the term of office of such director.

(9) A director, other than the ex-officio director may resign from the Board by letter addressed to the Minister.

(10) All or any of the directors, other than the ex-officio director, may be paid such remuneration as may be determined by the Minister with the concurrence of the Minister of Finance.

(11) The quorum for any meeting of the Board shall be five.

(12) Subject to the provisions of sub-section (11) and any regulations that may be made under this Act, the Board may regulate its own procedure.

(13) No act or proceeding of the Board shall be invalid by reason only of the existence of any vacancy among the directors or any defect in the appointment or election of a director.

9. (1) There shall be a general body of the Bank consisting of the Secretary to the Treasury, the members of the Board and the persons elected by co-operative societies which are shareholders of the Bank to represent such societies in that body.

General body
of the Bank.

(2) Regulations may be made as to the number of persons who may be elected by co-operative societies which are shareholders of the Bank as their representatives in the general body of the Bank, the qualifications to be possessed by such persons and the procedure to be followed in the election of such persons.

(3) The general body of the Bank shall not be disqualified from performing the functions vested in it by this Act by reason only of the existence of any vacancy among its members.

(4) The Secretary to the Treasury, the ex-officio director and the appointed directors shall not be entitled to vote on any motion or resolution before the general body of the Bank if such motion or resolution relates to the election, or removal from office, of a director.

In this sub-section, "appointed director" means a director appointed by a Minister under section 8.

Chairman of the Board.

10. (1) The Minister shall nominate one of the directors to be the first Chairman of the Board. Thereafter the Chairman of the Board shall be elected by the directors. The ex-officio director shall preside at a meeting of the directors for the election of the Chairman of the Board and shall, for the purpose of such election, have a casting vote.

(2) No person who holds a paid office as a servant of the Crown in respect of the Government of Ceylon shall be eligible to be the Chairman of the Board.

(3) The Chairman of the Board shall, unless he earlier vacates the office of Chairman, hold that office as long as he is a director.

Director to disclose his interest in any loan or other accommodation to be considered by the Board.

11. A director who is directly or indirectly interested in any loan or other accommodation to be considered by the Board shall disclose the nature of his interest to the Board and shall not be present while the Board is considering such loan or other accommodation.

Share Capital of the Bank.

12. (1) The share capital of the Bank shall be six million rupees divided into one hundred and twenty thousand shares of fifty rupees each. The share capital may, however, be increased from time to time by such amount as may be determined by resolution of the House of Representatives.

(2) The Board shall allot the Secretary to the Treasury, in his official capacity, sixty thousand fully-paid up shares, and he shall hold such shares for and on behalf of the Crown.

(3) The Board shall cause the balance of the shares to be available for subscription by co-operative societies.

(4) The Secretary to the Treasury shall pay for the shares allotted to him in his official capacity only the amount representing the difference between three million rupees and the sum due to the Government from the Co-operative Federal Bank of Ceylon Limited, under the Co-operative Federal Bank of Ceylon Ltd. (Financial Aid) Ordinance, No. 39 of 1947. Such amount shall be paid out of the Consolidated Fund of Ceylon.

13. (1) No shareholder of the Bank shall sell his shares to any person other than a co-operative society or the Secretary to the Treasury in his official capacity.

Sale of shares.

(2) The Secretary to the Treasury on being authorised in that behalf by the Minister of Finance may sell to any co-operative society any shares held by him for and on behalf of the Crown at not less than the par value of those shares, and the proceeds of the sale shall be paid to the Consolidated Fund of Ceylon.

(3) The Secretary to the Treasury may, with the approval of the Minister of Finance, purchase any shares offered to him for purchase under sub-section (1), and the purchase price shall be paid out of the Consolidated Fund of Ceylon. All shares purchased by the Secretary to the Treasury shall be held by him for and on behalf of the Crown.

14. The liability of a shareholder shall be limited to any sum due from him to the Bank in respect of any shares allotted to him.

Liability of a shareholder.

15. (1) The Government shall—

(a) grant to the Bank out of the Consolidated Fund of Ceylon—

Sums to be granted or lent by Government to the Bank.

(i) a sum of five hundred thousand rupees out of which the preliminary expenses connected with the establishment of the Bank, other than any expenses relating to the

construction of buildings, shall be defrayed and any balance of which after such preliminary expenses are defrayed shall be disposed of as provided by sub-section (4) of section 22 ;

(ii) two million rupees which shall be disposed of as provided by sub-section (2) and sub-section (5) of section 22 ; and

(iii) such sums as may be authorised by resolution of the House of Representatives to be granted out of the Consolidated Fund of Ceylon for the settlement of the bad and doubtful debts in excess of the assets of any co-operative bank which is dissolved under the provisions of this Act ; and

(b) lend to the Bank such sums as may be authorised by resolution passed by the House of Representatives to be lent to the Bank out of the Consolidated Fund of Ceylon for the granting of long-term or medium-term loans by the Bank.

(2) Every sum lent out of the Consolidated Fund of Ceylon to the Bank under paragraph (b) of sub-section (1) shall be repaid by the Bank in accordance with such terms and conditions as may be determined by the Minister with the concurrence of the Minister of Finance.

Commencement
of business
by the Bank.

16. The Bank shall not commence business until a certificate signed by the Minister authorising the Bank to commence business has been given.

Powers of the
Permanent
Secretary until
commencement
of business by
the Bank.

17. The Permanent Secretary may, upon the enactment of this Act and until the commencement of business by the Bank—

(a) invite and receive applications for shares ;

(b) allot shares ;

(c) do any of the acts which the Board is by this Act empowered to do ; and

(d) do all other acts whatsoever as he may deem necessary for the formation of the Bank.

18. (1) Any act done by the Permanent Secretary under section 17 shall, for all purposes, have the same effect as if such act had been done by the Board.

Acts commenced by the Permanent Secretary may be continued by the Board.

(2) The Board may continue any action or thing commenced by the Permanent Secretary and remaining unfinished or incomplete at the date of commencement of business by the Bank, as if such action or thing had been commenced by the Board.

19. (1) There shall be established for the purposes of this Act a fund to be known as the Building Fund.

Building Fund.

(2) The Government shall grant to the Bank out of the Consolidated Fund of Ceylon one million rupees to be credited by the Bank to the Building Fund.

(3) The moneys in the Building Fund shall be utilised for the purchase of lands and buildings, and the construction of buildings, for the Bank and for the maintenance and repair of such buildings.

20. (1) In addition to the sums lent by the Government under section 15 (1) (b) to the Bank for the purpose of granting long-term or medium-term loans, the Bank may, subject to the provisions of sub-section (2) and such regulations as may be made under this Act from time to time, raise, or with the approval of the Minister given with the concurrence of the Minister of Finance request the Monetary Board of the Central Bank of Ceylon to raise on its behalf, any sums by the issue of debentures.

The Bank to raise money by the issue of debentures for granting medium-term and long-term loans.

(2) No debentures shall be issued under sub-section (1) without the approval of the Minister of Finance given after consultation with the Monetary Board of the Central Bank of Ceylon.

(3) The Monetary Board of the Central Bank of Ceylon shall comply with a request made under sub-section (1) if the issue of the debentures necessary for compliance with that request is approved by the Minister of Finance.

Government
guarantee.

21. (1) The Minister of Finance shall guarantee—

(a) the repayment of any sum due to the Bank on any loan, overdraft or other accommodation granted by the Bank with the approval of such Minister under the proviso to section 26 ; and

(b) the repayment of any sum due on debentures issued under this Act.

(2) Any sum required for the fulfilment of a guarantee provided under sub-section (1) may, with the approval of the House of Representatives, be paid out of the Consolidated Fund of Ceylon.

(3) Any sum paid out of the Consolidated Fund of Ceylon in fulfilment of a guarantee provided under sub-section (1) (b) shall be repaid, together with interest thereon at such rate as the Minister of Finance may determine with the concurrence of the Minister, by the Bank in such manner and over such period as the Minister of Finance may, with such concurrence, determine.

(4) Immediately after a guarantee is given under sub-section (1), the Minister of Finance shall lay a statement of the guarantee before the Senate and the House of Representatives.

(5) Where any sum is paid out of the Consolidated Fund of Ceylon in fulfilment of a guarantee provided under sub-section (1), the Minister of Finance shall forthwith lay before the Senate and the House of Representatives a statement that such sum has been paid.

General
Reserve and
Special
Reserve.

22. (1) The Bank shall establish a General Reserve.

(2) The Bank shall credit to its General Reserve one half of the two million rupees referred to in section 15 (1) (a) (ii).

(3) The Bank shall establish a Special Reserve for bad and doubtful debts.

(4) Where any sum out of the five hundred thousand rupees referred to in section 15 (1) (a) (i) is left after the preliminary expenses mentioned in that section are defrayed, the Bank shall credit that sum to its Special Reserve.

(5) The Bank shall credit to its Special Reserve one half of the two million rupees referred to in section 15 (1) (a) (ii).

23. (1) With effect from such date (hereafter in this section referred to as the appointed date) as may be appointed by the Minister by Order published in the *Gazette*—

Dissolution
of the Co-
operative
Federal Bank
of Ceylon,
Limited.

(a) the Co-operative Federal Bank of Ceylon, Limited, shall be deemed to have been dissolved, and

(b) the assets and liabilities of the Co-operative Federal Bank of Ceylon, Limited, shall be the assets and liabilities of the Bank.

(2) On and after the appointed date—

(a) all contracts, deeds, bonds, agreements and other instruments which subsist or have effect on the day immediately preceding that date and to which the Co-operative Federal Bank of Ceylon, Limited, is a party shall have effect against or in favour of the Bank, as the case may be, and may be enforced as fully and effectually as if, instead of the Co-operative Federal Bank of Ceylon, Limited, the Bank had been a party thereto ; and

(b) all suits, appeals or other legal proceedings instituted by or against the Co-operative Federal Bank of Ceylon, Limited, and pending on the day immediately preceding that date shall not abate or be discontinued or be in any way prejudicially affected by reason of the dissolution of the Co-operative Federal Bank of Ceylon, Limited, and may be continued and enforced by or against the Bank, as the case may be :

Provided that nothing in paragraph (a) of this sub-section shall be construed as curtailing in any manner the right of the Bank to terminate the services of, or to vary the conditions of service of, any officer or servant of the Bank who, on the day immediately preceding the appointed date, was an employee of the Co-operative Federal Bank of Ceylon, Limited

Power of
Minister to
dissolve a
co-operative
bank.

24. (1) Where the Minister is satisfied—

(a) on written information received from the Commissioner of Co-operative Development, that a co-operative bank—

(i) has been conducting its affairs continually in an unsatisfactory or inefficient manner, or

(ii) desires that it should be dissolved and that its business should be taken over by the Bank, and

(b) that the Bank agrees to take over the business of such co-operative bank,

he may, by Order published in the *Gazette*, declare that, with effect from the date specified in that Order,—

(i) such co-operative bank shall be deemed to have been dissolved, and

(ii) the assets and liabilities of such co-operative bank shall be the assets and liabilities of the Bank.

(2) On and after the date on which an Order under sub-section (1) relating to a co-operative bank takes effect—

(a) all contracts, deeds, bonds, agreements and other instruments which subsist or have effect on the day immediately preceding that date and to which such co-operative bank is a party shall have effect against or in favour of the Bank, as the case may be, as fully and effectually as if, instead of such co-operative bank, the Bank had been a party thereto ; and

(b) all suits, appeals or other legal proceedings instituted by or against such co-operative bank and pending on the day immediately preceding that date shall not abate, or be discontinued or be in any way prejudicially affected by reason of the dissolution of such co-operative bank, and may be continued and enforced by or against the Bank, as the case may be.

25. After the commencement of business by the Bank—

(a) no co-operative society shall, unless exempted in writing by the Commissioner of Co-operative Development, deposit its funds in, or maintain any current or deposit account with, any commercial bank other than the Bank, and

(b) no co-operative society shall, except with the written approval of the Commissioner of Co-operative Development, obtain a medium-term or long-term loan from any commercial bank other than the Bank.

Deposit of money and obtaining of long-term or medium-term loans by co-operative societies.

26. No loan, overdraft or other accommodation shall be granted by the Bank to any person unless the Board is satisfied that he is worthy of credit up to the amount of such loan, overdraft or other accommodation or that such amount is secured by adequate security, or that the project or scheme to which such amount is to be applied is financially sound :

Loans, overdrafts and other accommodation to be granted only in certain circumstances.

Provided that the Bank may grant any loan, overdraft or other accommodation to any co-operative society, approved society or Cultivation Committee which is unable to satisfy the Board as to the requirements contained in the preceding provisions of this section if the grant of such loan, overdraft or other accommodation is approved by the Minister in consultation with the Minister of Finance and if the Minister of Finance guarantees under section 21 (1) (a) the repayment of such loan, overdraft or other accommodation.

27. For the purpose of deciding whether any immovable property tendered as security for any loan, overdraft or other accommodation should or should not be accepted by the Bank, the Board shall have access without fee or charge to the valuation roll of any local rating or taxing authority, and the officers of every such authority shall upon application supply to the Board full particulars as to any valuation of property in respect of which such authority has power under the provisions of any law to levy any rate or tax.

Power of the Board to inspect valuation rolls of local rating or taxing authority.

Registered
address of
borrower, etc.

28. (1) Every person—

(a) to whom any loan, overdraft or other accommodation is granted by the Bank, or

(b) who has obtained probate of the will or letters of administration to the estate of a person to whom any loan, overdraft or other accommodation has been granted by the Bank, or who, upon application made in that behalf by the Board, has been appointed by court to represent such estate, or

(c) to whom any right, title or interest whatsoever in any immovable property mortgaged to that Bank as security for any loan, overdraft or other accommodation has passed, whether by voluntary conveyance or by operation of law,

shall register with the Bank an address to which all notices to him may be addressed.

(2) Any notice which is required to be served on any person to whom sub-section (1) applies shall be deemed to have been duly served on that person if it is sent by post in a registered letter directed to that person at the address registered by him under that sub-section, and the service shall be deemed to have been effected at the time at which the letter would be delivered in the ordinary course of post :

Provided that, where any such person fails to register his address under sub-section (1), the Bank shall publish, in the *Gazette* and in a daily newspaper, a notice addressed to him, and such notice shall be deemed to be duly given to him on the day on which such notice is last published.

Default of
payment.

29. Where default is made in the payment of any sum payable as an instalment in repayment of the amount of any loan, overdraft or other accommodation granted by the Bank on the mortgage of any immovable property or as interest on that loan, overdraft or other accommodation, default shall be deemed to have been made in respect of the whole of such portion of the amount of that loan, overdraft or other accommodation as has not been repaid to the Bank and the interest due thereon.

30. Where under section 29 a default is deemed to have been made in respect of any sum, the provisions of sections 68 to 83 (both sections inclusive) of the Agricultural and Industrial Credit Corporation Ordinance, No. 19 of 1943, shall apply for the purpose of the recovery of that sum in like manner as if those provisions were part of this Act, and in such application those provisions shall have effect as if—

Certain provisions of the Agricultural and Industrial Credit Corporation Ordinance to apply in case of default of payment.

- (a) every reference therein to the "Board" were a reference to the Board of Directors of the Bank ;
- (b) every reference therein to the "corporation" were a reference to the Bank ;
- (c) every reference therein to a "loan" were a reference to a loan or an overdraft or any other accommodation granted by the Bank ;
- (d) every reference therein to the "Ordinance" were a reference to this Act ;
- (e) the reference in section 72 of those provisions to "section 62" were a reference to section 28 of this Act ; and
- (f) the reference in section 79 (3) of those provisions to "the Form B in the Schedule" were a reference to "such form as may be prescribed", and the reference in that section to "the Form C in that Schedule" were a reference to "such form as may be prescribed".

31. Medium-term and long-term loans granted by the Bank shall be out of moneys lent by the Government to the Bank under section 15 (1) (b) or raised under section 20 by the issue of debentures.

Sources from which loans are granted.

32. (1) There shall be a General Manager of the Bank who shall be the Bank's chief executive officer and who shall conduct the business of the Bank under the general supervision and control of the Board.

Delegation of powers and duties of the Board.

(2) The Board may delegate any of its powers or duties to any officer of the Bank and may revoke any such delegation either wholly or in part and either as to persons or purposes.

(3) An officer to whom any power or duty of the Board is delegated under this section, shall, in the exercise or performance of that power or duty, conform to all such directions as may be given by the Board. All acts done by such officer in conformity with such directions and in fulfilment of the purposes of the delegation made to him, but not otherwise, shall have the like force and effect as if done by the Board.

Accounts.

33. The Board shall cause the accounts of the Bank to be kept in such form and manner as may be determined by the Board.

Audit.

34. (1) The accounts of the Bank for each financial year shall be submitted to the Auditor-General for audit before the thirtieth day of June of the succeeding year. For the purposes of assisting him in the audit of such accounts, the Auditor-General may employ the services of any qualified auditor or auditors who shall act under his direction and control.

(2) For the purpose of meeting the expenses incurred by him in the audit of the accounts of the Bank, the Auditor-General shall be paid by the Bank such remuneration as the Minister may determine with the concurrence of the Minister of Finance. Any remuneration received from the Bank by the Auditor-General shall, after deducting any sums paid by him to any qualified auditor employed by him for the purposes of such audit, be credited to the Consolidated Fund of Ceylon.

(3) The Auditor-General and any person assisting the Auditor-General in the audit of the accounts of the Bank shall have access to all such books, deeds, contracts, accounts, vouchers and other documents of the Bank as the Auditor-General may consider necessary for the purposes of the audit, and shall be furnished by the Board and the Bank with such information within their knowledge as may be required for such purposes.

(4) The Auditor-General shall examine the accounts of the Bank and furnish a report—

(a) stating whether he has or has not obtained all the information and explanations required by him,

(b) stating whether the accounts referred to in the report are properly drawn up so as to exhibit a true and fair view of the affairs of the Bank, and

(c) drawing attention to any item in the accounts which in his opinion may be of interest to the Senate and the House of Representatives in any examination of the activities and accounts of the Bank.

(5) The Auditor-General shall transmit his report to the Board.

(6) For the purposes of this section, the expression "qualified auditor" means any person who is a member of the Institute of Chartered Accountants of Ceylon and who is registered as an auditor under the Companies Ordinance, No. 51 of 1938.

35. (1) The Board shall, on receipt of the Auditor-General's report in respect of any year, cause a copy of each of the following documents relating to that year to be transmitted to the Minister and the Minister of Finance :—

(a) Auditor-General's report.

(b) Balance-Sheet.

(c) Report of the Board on the work of the Bank.

(2) The Minister shall lay copies of the documents transmitted to him under sub-section (1) of this section before the Senate and the House of Representatives.

(3) On receipt by the Board of the Auditor-General's report for any financial year, the Chairman of the Board shall without delay convene a meeting of the general body of the Bank and shall submit that report together with the documents referred to in items (b) and (c) of sub-section (1) for consideration at that meeting.

36. (1) The General Manager of the Bank, or an accountant or other officer of the Bank authorised in that behalf by such General Manager, may—

(a) examine the books and accounts of any co-operative society to which, or other person to whom, any loan, overdraft or other accommodation has been granted by the Bank or by any other co-operative society to which the Bank has granted any loan, overdraft or other accommodation ;

Documents to be transmitted to the Minister and the Minister of Finance to be laid before the Senate and the House of Representatives.

Power of certain officers of the Bank to examine the books and accounts of any co-operative society to which, and of any other person to whom, a loan has been granted by the Bank.

- (b) examine any office-bearer, member or employee of any such co-operative society or other person as is first mentioned in paragraph (a) of this sub-section for the purpose of ascertaining the true condition of the affairs of that co-operative society or other person ;
 - (c) direct any such office-bearer, member or employee as is referred to in paragraph (b) of this sub-section to furnish to the officer of the Bank giving the direction any such information as that officer may require for the purpose mentioned in that paragraph ; and
 - (d) direct any such office-bearer, member or employee as is referred to in paragraph (b) of this sub-section to produce for inspection by the officer of the Bank giving the direction any books, records or other documents in the possession of that office-bearer, member or employee and containing or likely to contain any such information as may be required by that officer for the purpose mentioned in that paragraph.
- (2) Every officer of the Bank exercising the powers conferred by sub-section (1) shall, for the purposes of the Oaths Ordinance, be deemed to be a person having by law authority to receive evidence in regard to the affairs of the co-operative society in respect of which such powers are exercised.
- (3) No person shall, without reasonable cause, fail or refuse to be examined or to answer any question when examined, or to comply with any direction given, under sub-section (1).
- (4) No person shall, in furnishing any information or producing any books, records or other documents under sub-section (1), furnish any information which he knows to be false or incorrect or produce any books, records or other documents which contain statements which he knows to be false or incorrect.
- (5) No person shall obstruct any officer of the Bank in the exercise of powers conferred by sub-section (1).

37. Where the General Manager of the Bank is satisfied, after an examination of the affairs of a co-operative society under section 36, that such co-operative society is insolvent or that its continuance in business is likely to result in loss to its creditors, he shall make a report on the affairs of such co-operative society to the Board, and if the Board, after considering such report, is of the opinion that action should be taken to dissolve and liquidate such co-operative society, the Board shall recommend such action to the Commissioner of Co-operative Development.

The Board's powers to recommend to the Commissioner of Co-operative Development the dissolution and liquidation of a co-operative society which, on the examination of its affairs under section 36, is found to be insolvent, etc.

38. Every person who contravenes or fails to comply with any of the provisions of this Act shall be guilty of an offence.

Offences.

39. Every person who is guilty of an offence under this Act shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding five hundred rupees or to imprisonment of either description for a term not exceeding one month or to both such fine and imprisonment.

Punishment for offences.

40. Where any offence under this Act is committed by a body of persons, then—

Offences by body of persons.

(a) if the body of persons is a body corporate, every director and officer of that body corporate, and

(b) if the body of persons is a firm, every partner of that firm,

shall be deemed to be guilty of such offence :

Provided that no such director, officer or partner shall be deemed to be guilty of such offence if he proves that such offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

41. Notwithstanding anything in any other written law—

Exemption from income tax and stamp duty.

(a) the Bank shall be exempt from the payment of income tax upon the profits and income of the Bank ; and

(b) the Board and the Bank shall be exempt from the payment of stamp duty on any instrument executed by, on behalf of, or in favour of the Board or the

Bank in cases where, but for the exemption, the Board or Bank would be liable to pay the duty chargeable in respect of such instrument.

The Bank to be deemed to be a suitable person to manage and administer the affairs of certain co-operative societies.

42. Where the Bank grants any loan, overdraft or other accommodation to a co-operative society and thereafter the committee of that co-operative society is dissolved under section 35A of the Co-operative Societies Ordinance, the Bank shall be deemed—

(a) for the purposes of sub-section (1) of that section, to be a suitable person, and

(b) for the purposes of sub-section (3) of that section, to be a fit and proper person,

to manage and administer the affairs of that co-operative society.

Regulations.

43. (1) The Minister may make regulations for the purpose of carrying out or giving effect to the principles and provisions of this Act.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1), the Minister may make regulations in respect of the following matters :—

(a) any matter required by this Act to be prescribed or in respect of which regulations are authorised or required by this Act to be made ;

(b) the manner of application for shares of the Bank, the registration of the holders of such shares, the issue and renewal of share certificates, the transfer of such shares and any other matter connected with, or incidental to, the aforesaid matters relating to shares ;

(c) the form of debentures, the rate of interest payable thereon, the time or times at which and the manner in which debentures are to be redeemed, the transfer of debentures and any other matter connected with, or incidental to, the aforesaid matters relating to debentures ; and

(d) the charges payable by persons for services rendered by the Bank.

(3) No regulation made by the Minister under this section shall take effect unless it is approved by the Senate and the House of Representatives and notification of such approval is published in the *Gazette*.

44. The provisions of this Act shall have effect notwithstanding anything to the contrary contained in the Co-operative Societies Ordinance.

This Act to have effect notwithstanding the provisions of the Co-operative Societies Ordinance. (Cap. 170).

45. (1) The provisions of the Companies Ordinance, No. 51 of 1938, shall not apply to the Bank.

The provisions of the Companies Ordinance only to apply to the Bank if they are made applicable by Order of the Minister.

(2) Notwithstanding the provisions of sub-section (1), the Minister may, whenever it may seem expedient for him to do so, by Order declare that any such provision of the Companies Ordinance, No. 51 of 1938, as is specified in the Order shall apply to the Bank. Every Order made under this sub-section shall have the force of law.

46. With effect from the date of dissolution of the Co-operative Federal Bank of Ceylon, Limited, the Co-operative Societies Ordinance, as amended by Act No. 21 of 1949, is hereby further amended, in section 35A of that Ordinance, by the substitution, in sub-section (7) of that section, for the words "Co-operative Federal Bank of Ceylon, Limited", of the words "People's Bank".

Amendment of the Co-operative Societies Ordinance.

47. With effect from the date of dissolution of the Co-operative Federal Bank of Ceylon, Limited, the Co-operative Federal Bank of Ceylon, Ltd. (Financial Aid) Ordinance, No. 39 of 1947, is hereby repealed.

Repeal of Ordinance No. 39 of 1947.

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

Interpretation.

"approved societies" means societies approved for the purposes of this Act by the Minister by Order published in the *Gazette* ;

"commercial bank" shall have the same meaning as in the Monetary Law Act, No. 58 of 1949 ;

Cap. 107.

"co-operative bank" means a co-operative bank being a co-operative society registered under the Co-operative Societies Ordinance ;

"co-operative society" means a co-operative society registered under the Co-operative Societies Ordinance ;

"Cultivation Committee" shall have the same meaning as in the Paddy Lands Act, No.1 of 1958 ;

"general body of the Bank" means the general body of the Bank constituted in accordance with the provisions of section 9 of this Act ;

"long-term loan" means a loan repayable not earlier than ten years after the date of the grant of that loan ;

"medium-term loan" means a loan repayable not earlier than five years, and not later than ten years, after the date of the grant of that loan ;

"shares" means shares in the capital of the Bank ;

"short-term loan" means a loan repayable not later than five years after the date of the grant of that loan.