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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART IV (A) – PROVINCIAL COUNCILS

Provincial Council Notifications

SOUTHERN PROVINCE PROVINCIAL COUNCIL

**RULES UNDER THE CO-OPERATIVE SOCIETIES STATUTES No. 06 OF 2019
UNDER THE SOUTHERN PROVINCIAL COUNCIL**

I, UDALAMATHTHA GAMAGE DAYAWANSHA ARIYATHILAKA Minister of Agriculture, Agrarian Development, Irrigation, Water supplying and Drainage, Food supplying & Distribution and Trade & Co-operative Development of Southern Provincial Council hereby impose the following rules in terms of the Sec. 58 under the Co-operative Societies Statutes No. 06 of 2019 under the Southern Provincial Council. These rules which have been seconded by the Southern Provincial Council on 08.04.2019 shall be effective on the day published in the *Gazette*.

UDALAMATHTHA GAMAGE DAYAWANSHA ARIYATHILAKA,
Minister of Agriculture, Agrarian Development, Irrigation,
Water Supplying and Drainage, Food Supplying &
Distribution Trade & Co-operative Development of
Southern Provincial Council.

4th Floor, Dakshinapaya, Labuduwa, Galle,
At the Minister's Office, Ministry of Agriculture, Southern Province.
Dated 08th of April 2019.

1A – PG4515 – 1507 (05/2019)

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Regulations

Name Registration	<ol style="list-style-type: none"> 1. These regulations are called the 2019 Southern Province Provincial regulations. 2. According to the specimen form prescribed by the registrar, the application to register a society, should be signed by every member who signed the original application to register a society, or in the event where there are societies registered by the original members, each member who have been authorized by the constitutions of those societies to sign, should sign the application. 3. Upon registration of a society the Registrar should, <ol style="list-style-type: none"> (i) Should issue a certificate of registration as per the attached specimen form. In addition, should issue copies of the Southern Province Co-operative Precept and the regulations enacted under the precept, in the language in which the society maintains its books. (ii) Should sent in return a signed copy of the constitution submitted with the application for registration by the society.
Membership	<ol style="list-style-type: none"> 4. The enrolment of members to a registered society should be according to the constitutions of those societies and subject to the conditions prescribed in those constitutions. 5. In the event where the registered society is comprised of other registered societies, the particular society could, in keeping with the constitution of that society and subject to the conditions prescribed in those constitutions, enlist another registered society as a member. 6. Any member of a registered society is free to resign from the membership of that society by giving one month's written notice to the Secretary, provided that the particular member neither has loans outstanding to the society nor is a guarantor for loans outstanding to society. 7. A registered society is empowered to terminate the membership of its members as per particular reason mentioned in its constitution and according to the conditions prescribed in the constitution. 8. In the event where a particular member of a society ceases to have the qualifications prescribed in its constitution to be a member of that society, that member shall automatically lose his membership of the society. In such a situation, the executive committee of the society shall expunge his name from the membership register of the society. 9. (i) If a member of a particular society registered as unlimited, either resigns or have his membership terminated, such member is entitled to claim the monies paid by him or the monies paid by the person who owned those shares before, for the shares he owns at the time of resignation or termination, subject to the passage of the period prescribed in the constitution, without any interest. (ii) However, if a member of society, registered as limited, either resigns or have his membership terminated, such member could only receive the monies paid by him or by the person who owned those shares before, for the shares he owns at the time of resignation or termination, as per the conditions prescribed in the constitution.
Number of Members	<ol style="list-style-type: none"> 10. A primary society may not have a limit on its membership. However, for a corporative society engaged in production, industry or labour, considering its assets and liabilities and for the furtherance of its economic progression, a limit on the membership may be determined with the approval of the registrar.
Membership register	<ol style="list-style-type: none"> 11. (a) Every registered society, in keeping with the contents of article 25 (1) of the Corporative Precept should maintain a membership register that includes the following particulars <ol style="list-style-type: none"> (i) The gender of each member (ii) The date on which, each member's name was included in the membership register, (iii) The date on which a particular member ceased to be a member of the society, (iv) The telephone number and the e mail address of the member, if available. (b) All updates made in the membership register with the approval of the Board of directors of the society should be forwarded to the Commissioner by the President of the society, within three months of the end of the calendar year. 12. (i) In keeping with provisions of article 24 of the corporative Precept, when a person is nominated by a member of a registered corporative society, such nomination should be in writing and signed in the presence of 2 witnesses. (ii) If the member of a registered society owns share of capital, unless he/she has more than one share in capital, he/she has no power to nominate more than one person.

- (iii) When a particular member of a registered society is nominating more than one person, the member should give particulars of how and what shares each nominee is representing and in what manner any other entitlement of the society is to be shared among the nominees.
 - (iv) The names register should carry the name, address and the NIC number of all the nominees.
 - (v) Unless the constitution of a registered society specifies otherwise, if the ownership of the shares or other entitlements of a member are to be transferred to a nominated person upon the death of the member the monies due should be the money paid by the member.
 - (vi) When monies are paid to a minor who has been nominated by a member, a receipt for the monies paid, either from the minor or from his legitimate care taker should be evidence acceptable as having been paid that money and having discharged the obligation by that registered society.
13. Whether the liability is limited or unlimited, no single member, except a registered society can obtain more than 1/5th of the value of a registered society's full share capital. Maximum ownership
14. (i) No registered society, unless it has a share capital, can distribute any of its funds among its members as dividends or earnings on any basis. Profit appropriation
- (ii) A registered society is not empowered to distribute its funds or any part of its assets as dividends, allowances or gratuity payment, among its members or employees, unless that society fulfil the following conditions:
- (a) That all the expenses relating to the operations and other expense of the society during a financial year should have been debited to the P & L account before arriving at the net profit for the year.
 - (b) That the full approval of the registrar should have been obtained subject to the following:
 - (i) A registered society should not pay out any funds to its members as dividends or gratuity payments while there are payments due from the society to depositors or debtors.
 - (ii) No registered society is empowered to pay an amount in excess of 10% in value of the fully paid share capital of that society as dividends.
 - (c) The registrar has the authority to determine and make a general or special order to,
 - (i) Withhold payment of dividends by a registered society until a person other than a Bank or a member or the society, makes a deposit, obtains a loan or engages in any other loan facility.
 - (i) determine whether to pay dividends or not;
 - (iii) pay a reduced amount as dividends.

society's
maximum
responsibility.

15. (i) Every registered society should prescribe from time to time, at its general meeting, the maximum quantum of funds it should accept as loans, deposits or as other means, from persons who are not members of the society. In any case, the maximum amount to be accepted as deposit from non-members should not exceed the total value of deposits made by the members.

- (ii) If the registrar is of the opinion that as mentioned in regulation (1) above that a particular registered society will experience difficulties when the maximum quantum is prescribed, the registrar has authority to sanction a certain limit that he may be considered appropriate for a particular period for that society.

General
meeting.

16. (i) Every registered society should conduct its General meeting as prescribed in its constitution to make decisions on matters that are functionally necessary including the following matters:

- (a) To determine the maximum quantum of borrowings, as loans or deposits, that can be obtained from non-members;
- (b) If the society is a credit society, to determine the maximum quantity and the regularity with which such credit is to be granted;
- (c) To elect members to the executive committee;
- (d) To consider the annual Accounts report of the society, the report of the auditors appointed by the registrar and the report of the registrar if available.

- (ii) If the constitution does not detail certain specified procedure on certain matters that are taken up at the General meeting of a registered society, such extraneous matters should be decided by the strength of the popular vote on members present at the general meeting.

A member of a registered society, as per article 3 (1) of the Corporative Precept, is entitled to a single vote at the General meeting of the society. If a member of registered society attends the general meeting of another registered society, he/she should exercise his vote according to the procedure prescribed in the constitution of that society.

In the event where the vote ends up in a tie the Chairman may exercise his determining vote.

- (iii) A registered society that is a member of another society should not appoint the following members, from among its members, to represent the society at that other society's general meeting:

- (a) A member who has defaulted on loans or a loan granted to him from that particular registered society, another registered society or to a liquidator of a society which's registration has been cancelled for not setting as specified in the constitution of that society or if there is no such specification, for not paying within three months of such liquidation.
- (b) A member who has not paid his dues, to that particular registered society, to any other registered society or to a liquidator on whatever possible grounds.

17. (i) The registrar, or a person authorized by the registrar by a general or special directive, has authority to convene a special General meeting of any registered society in any manner that is acceptable to that convenor, at any place and at any time. The quorum of any meeting, so convened for the purpose of conducting the business, is the assembled membership (unless it is less than three members). Such a General meeting will have all the powers of a normal general meeting including the power to amend the constitution.

Summoning executive committee and general meetings
 - (ii) If a registered society is not holding its General meeting as due to elect members to its executive committee the commissioner has powers, as per article 17 (1) of the regulations to convene a general meeting and elect members to the society's executive committee. However, the convening of such a meeting will require the notice of at least 14 days to the members and the conducting of affairs at such a meeting will require the presence of a minimum of 10 members.
 - (iii) The registrar or a person authorized in writing by the registrar, in any manner, time or place as chosen by the registrar or the authorized person, may convene an executive committee meeting of any registered society. The number of attendees of such a meeting (unless less than three) may constitute a quorum for the purpose of conducting the business of the committee. Such a committee meeting is considered as a properly convened committee meeting of that society for all purposes.
 - (iv) When, either the registrar or a person authorized by him convenes, as per Regulation 17 (1) a general meeting or as per regulation 17 (11) an executive committee meeting, the convenor has authority to requisition the books and documents as considered necessary by the convenor. In such a situation it is the duty of the secretary of society to comply with all such directives. Registrar or the person authorized by him could chair the meeting convened by him/her under Regulation 17 (1) or 17 (11). However, the Chairman has no right to vote on decisions at a committee meeting so convened, but when the vote ends in a tie, the Chairman may exercise the deciding vote.
 - (v) The registrar, or a person authorized by him in writing, by a special or general directive, has the authority to attend the general or executive committee meeting of any registered society and then address the meeting.
- However, the registrar or the person authorized by him has no right to exercise the vote on matters taken up at such meetings.
18. (i) Every registered society should have an executive committee. The appointment of the members to the executive committee, suspension of their office and their terminations should be done as per the constitution of the registered society. If the constitution of a registered society has provided to have a provincial executive committee, the appointment of members to that provincial executive committee, their suspension and termination could be done according to the constitutional provisions. However, when a new society is registered, the registrar has powers, notwithstanding what is mentioned in the constitution, if any, to appoint members to a temporary Board of Directors of that society and to remove them. The Board of directors appointed temporarily by the registrar may enjoy the powers of a general body and the executive body. A temporary Board of Directors appointed by the registrar however has no powers to function beyond 12 months from the date of appointment.

Executive committee

- (ii) If the executive committee of a registered society is not meeting at least once in three months in contravention of the provisions of the constitution, the general body should take action to dismiss that executive committee and appoint a new executive committee. If the General body is shirking its responsibility on that count, the commissioner has power to issue a directive in writing to the general body to take action as required. If the general body fails to comply with that directive the commissioner has power, notwithstanding what is stated in the constitution, to remove the existing executive committee and to appoint a new executive committee. The executive committee so appointed should hold their office for the unexpired period of the executive committee it replaced. However, if the Commissioner forms the opinion that the executive committee appointed under this article is not discharging their duties as they should, he may dismiss the present executive committee at any time, without requesting explanations from them for their failures.

19. Irrespective of what is stated in the constitution of a registered society, every registered society, in compliance with the provisions of article 68 (5) of the Corporative Precept and in concurrence with the Minister in charge of the subject, should follow the following criteria in appointing members to the executive committee of the society:

- (i) A person not found guilty of an offense in a court of law for a crime under the penal code or under any such criminal law,
- (ii) A person known to be of good character,
- (iii) A professional in the relevant field,
- (iv) A person not less than 35 years and not above 65 years of age,
- (v) A Government service officer of the secondary grade or above,
- (vi) A person not disqualified under regulation 20 below.

Disqualification
Executive
committee.

20. (i) The following persons may not be appointed to, either an executive committee, a provincial executive committee or a district committee, of a registered society:
- (a) A person under 18 years of age subject to the provisions of clause (III),
 - (b) A person either declared bankrupt by a Court of law or had appealed to be declared bankrupt,
 - (c) A person certified to be of improper mental health,
 - (d) A person found guilty of improper conduct by a Court of law or a person imprisoned for a period or three months or more, within the last three years.
 - (e) A person, who has not settled his dues or loan monies to either the registered society where he is a member, to another registered society or to a liquidator for a period of three months within the last 6 years or a person who has not settled any other dues to the society, to another society or to a liquidator.
 - (f) A person who has either entered into an agreement with the society or is currently engaged in a transaction or has intentions of being engaged in a transaction with the society, involving money, not merely as a member or a worker of the society but in his own capacity or through another interested party.
 - (g) A person who has been elected to the executive committee of the society for the past 6 years continuously.

- (h) A person who is engaged in a trade or business that may cause a conflict in interest with the activities of the society in the opinion of the general body.
- (ii) The office of an officer, who has been elected to the executive committee, to the Provincial executive committee or to the District executive committee will cease to exist due to any of the circumstances mentioned below in their own merit:
- (a) By ceasing to be a member of the society,
- (b) By being declared or by being an applicant to be declared as a bankrupt person by a Court of law,
- (c) By being certified as a person of unsound mental health,
- (d) By either being engaged or having commenced a trade, business or activity, or being a partner to a business or trade, that may create a conflict in interest with the activities of the society, in the opinion of the general body of the registered society.
- (e) By not being eligible to continue in office as a member of the Executive, District or Provincial executive committees as per regulation 20 (1) or as per the constitution of the registered society.
- (iii) If the members of a registered society happen to be school children, they are entitle to become members of the executive committee even though they are not above 18 years of age.
21. (i) A member of an executive committee of a registerd society could obtain a salary, gratuity or any other manner of emolument only with the prior approval of the General body of the society and to the extent determined by the registrar.
- (ii) If a member of the executive committee or any other officer of a registerd society obtains a payment for his services in excess of what is prescribed, the registrar has power to direct that member or officer to refund that payment.
22. Except those powers attributed to the General body of a registerd society, the executive committee of a registered society is empowered with all executive powers in the activities of a registerd society, subject to the conditions and limits imposed at the General meeting or by the constitution of that registerd society.
23. The executive committee of a registerd society should perform the following duties in addition to the normal duties called upon to perform–
- (a) Follow the corporative precept, the regulations mentioned herein and the circulars and directives issued by the registrar on the society's constitution, executive regulations etc,
- (b) Maintain books and accounts, correctly and truly,
- (c) Maintain the value of assets and liabilities to reflect their true value,
- (d) Make provisions to ensure the safety and protection of the society's assets,
- (e) Maintain a correct and updated membership register,

- (f) Present the Profit and Loss Statement, the Balance sheet and the Auditors report to the general meeting within two months of their receipt from the registrar and to take action as recommended in the Auditors report,
- (g) Assist all the parties empowered to examine the books of accounts of the society,
- (h) ensure that the loans granted by the society to its members are used for the purpose that they were granted for,
- (i) Take necessary steps to regularise the irregularities, if any, revealed by the registrar's report in keeping with article 40 of the Corporative Precept.

24. In a situation where a registered society is serving or acting as a representative, of the Government or of a Board created by an Act of Parliament, it is the duty of the executive committee, every officer and employee, of the society to serve in conformity with the directives issued by the relevant authority.

25. The executive committee of a registered society should act and discharge its duties with wisdom. The committee should act in accordance with the law, these regulations, the provisions of the constitution, the directives of the executive committee and the circulars and general directives issued by the registrar on society affairs from time to time. Therefore, in the event where the society has to bear a loss, bear the pressure or, is subject to a penalty due to the executive committee not acting wisely or in accordance with either the law, these regulations, the provisions of the constitution, the directives of the executive committee and the circulars and general directives issued by the registrar, the executive committee should be held responsible, severally and individually for such loss, pressure or the penalty.

26. If the registered society is a Thrift & Credit society, the total credit extended to the members of the executive committee of the society should not exceed 15% of the executive capital of the society. However, this regulation may not be applicable to a society in which the capital fund is sufficient, in the opinion of the registrar, to meet the total credit requirements of its members.

Officers and
employees

27. A registered society cannot appoint any person as an employee of the society, unless in accordance with the provisions of the Southern Province employment commission's Precept.

Constitution
essentials.

28. A registered society should deal with the following issues in its constitution:

- (i) The name of the society,
- (ii) The area of purview of the society,
- (iii) The address of the society,
- (iv) The objectives and the intentions of the society,
- (v) The financial year of the society,
- (vi) The uses to which the society funds could be engaged,
- (vii) The authority to transact society funds and the limits of cash in hand,
- (viii) The eligibility to become a member, the conditions under which and the manner in which a person could become a member, of the society,
- (ix) The manner and extent of the responsibilities of the members,
- (x) The resignations, terminations and the payments to be made by the members.

- (xi) The transfer of shares and other relationships of the members.
 - (xii) The manner in which the earnings of the society is to be made, including the maximum rate of interests.
 - (xiii) The Annual General meeting of the society, the manner in which it is to be conducted and the power and scope of general meetings.
 - (xiv) The appointment of the executive committee and the other officers of the society, the suspension and termination of their services and the duties and responsibilities of the executive committee and other officers of the society.
 - (xv) The delegation of authority to officers of the society to sign documents on behalf of the society. A constitution of a registered society should include the additional particulars below if the society's objectives contain procurement of capital to grant loans to its members.
 - (xvi) The employment particulars and the permanent addresses of its members.
 - (xiii) The conditions under which loans are granted to the members that includes the following particulars.
 - (a) The extent of the rate of interests
 - (b) The maximum amount of the loan that could be granted to a member
 - (c) Extending the period of repayment and the renewal of loans
 - (d) The uses for which loans are to be granted.
 - (e) The guarantors to be obtained against loans granted.
 - (f) The consequences of not honoring dues on account of shares and loans.
 - (e) On appropriating the profits.
29. A registered society should revise its executive regulations from time to time as felt required, subject to the constitution. The executive committee and every officer an employee of the society is bound to act in compliance with these executive regulations. Executive regulations.
30. As per article 21(1)(a) of the Cooperative precept, the loss that can be recovered by a registered society from a particular member is the amount of loss incurred by the society, directly or indirectly, in not selling the whole, or an agreed part, of the produce of that member. In that regard the loss recoverable by the society from the member should not exceed 10% of the market value of those unsold products at the time. Losses.
31. It is not permitted to renounce any dues or to write off a particular amount from the books of accounts of a registered society without obtaining the prior approval of the general body of that society for the purpose. Further if the amount to be so renounced or written off, exceeds Rs. 5000/- in value, that amount may require the prior approval of the general body as well as of the registrar before such renunciation or write off is affected. Forfeiting the rights.
32. (i) A registered society is enabled to amend its constitution as per article 8 of the Corporative precept and also under the regulation 28 of these regulations. Amending the constitution.
- (ii) An amendment to the constitution of a registered society could be made only on proposal made at a general meeting subject to the following conditions.
- (a) In the case of an unlimited society, the membership in attendance at the General Meeting should be in excess of one half of the total membership and of those present a minimum of 3/4th should vote in favor of the proposal.
 - (b) In the case of a limited society, a number of members not less than half in attendance at the General meeting, with power to vote, should vote in favor of the proposal. The votes

can be cast in writing. When written votes are cast, the ballot paper should be sent to all and the cast ballot papers received should be opened and counted at a general meeting where the due quorum is present.

(iii) Irrespective of what is provided in this regulation, a proposal to amend the constitution, that has been recommended or granted prior approval by the registrar, or a proposal at a general meeting summoned with the expressed notice of amending the constitution, may be carried with a 2/3rd majority of those present at that general meeting.

(iv) When the constitution of a registered society is either prepared, amended, abrogated or canceled, two copies of that constitution in that changed state should be sent to the registrar immediately. Further, a declaration signed by the Secretary and the President stating that the change has complied with clause (11) and (111) of this regulation 32, in all its complexities, should accompany those copies.

33. A registered society should contain provisions in its constitution to penalise members of the society for acting in contravention of the constitution. Accordingly, the constitutions of registered societies, in addition to covering other matters, should have provision for the following items as well.

- (a) To inform of the intention to impose a fine and give reasons in writing for that decision. To have constitutional provision to communicate such a decision by registered post or by hand to the address of the particular member as stated in the books of the society.
- (b) To have provision to grant 14 days - notice to the member found to have violated the provisions of the constitution to give reasons in his/her defense.
- (c) To have provision to fine a sum not exceeding Rs. 250/- when the accused fail to give reasons in defence.
- (d) To have provisions, when the reasons in defence had been submitted by the accused, to have such reasons forwarded to a properly constituted executive committee meeting for consideration and when a decision is made to impose a fine, to ensure that the fine does not exceed a sum of Rs. 250/-.

Limits on credit.

34. A registered society should not grant loans to any person who is not a member of the society. However, a registered society may grant another registered society a loan with the approval of the registrar.

Investing the deposits.

35. A registered society may, with the prior approval of the registrar, invest its funds in private or public organization. But however, such investment is possible only if the particular private or public organization has permission to receive such investments.

Accounts constitution.

36. Every registered society should maintain books, accounts and documents as directed by the registrar. It is the responsibility of the executive committee to ensure that the society employs people who are competent to maintain its books and accounts, that the books and accounts are maintained properly and that the books and accounts are updated and maintained in time.

The executive committee has to ensure that the society maintains a register that details the books of accounts, registers etc. maintained and the persons responsible for maintaining each

one of those books registers and documents. The persons maintaining those books and accounts etc. should duly sign that register and accept responsibility for maintaining those.

An executive committee that does not ensure the recruitment of competent personnel to maintain its books, accounts, registers and documents and also that does not ensure the timely and updated maintenance of its books and accounts, willingly, is guilty of an offence.

37. A registered society should entertain any party that is interested in the accounts of the society, Either in the capacity of a member, a depositor or a creditor, to inspect the society's annual incomes statement and its Balance sheet.

38. Every registered society, by its executive committee or by an officer appointed by the executive committee, in a manner prescribed by the registrar, should prepare and forward the following documents every year to the registrar:

- (i) The balance inquiry statement and trading and other accounts relevant to the society's Activity;
- (ii) The income statements;
- (iii) The Balance sheet.

39. (i) The registrar has power to issue a written directive to any registered society to perform the following tasks:

- (a) To obtain the books and accounts of the society written up to a date given in the directive;
- (b) To obtain the documents that the registrar may wish to inspect as mentioned in the directive.

(ii) If a registered society disregards this regulation as stated in (1) above, the registrar has power to obtain the services of a suitable person to write up the books and accounts and prepare all such documents of the society.

In a situation where the registrar empowers a person to write up the books and accounts and the reports of a registered society, the registrar has the authority to determine the fees due for the assignment and issue directive to the society to pay the fees. If the society refuses to pay that fees the registrar may make an application to a magistrate in a court of law to make a ruling to obtain payment. When such an application is made the fees may be recovered from the society as a fine imposed by the magistrate.

If the person empowered by the registrar to write up the books and accounts of the registered society is a government servant, the payment due to him/her or the recovery made on account of this assignment may be credited to the consolidated fund account.

(iii) When an audit is performed on the books of accounts of a society in terms of article 39 of the Co-operative Precept, the Audit officer should issue an Accounts inspection certificate as per the following specimen form. audit.

I/We, having inspected the accounts of the Corporative Society Limited/Unlimited have examined the accounts of the balance sheet produced above. I/We have obtained all the information and explanations (except those stated in page No. of this report) to my/our satisfaction from the officers of the society. I/We have examined the veracity of all the assets and liabilities listed in the balance sheet. Having inspected, I/We are satisfied that these assets and liabilities does exist in actual fact and that those have not been over of undervalued for the purpose of stating in the Balance Sheet. Therefore I/We are of the opinion that the Balance Sheet presented for the society gives a true and fair reflection of the present financial status of the society as per the books of accounts maintained and also as per the explanations and information submitted to us.

.....;

Date

.....

signature of the Accounts Examiner

Power to
summon.

40. (i) As per the articles 39 and 41 of the Corporative Precept, the registrar or a person authorized by the registrar has power to conduct an audit, an examination and an investigation, and then as required by the situation may exercise power to call any person that may be considered necessary for such inquiry. The summons for this may be delivered by hand or if not, could be sent by registered post. A person so summoned however, should be given 7 full days' notice.

(ii) When an audit, an examination and an investigation, is conducted as per the articles 39 and 41 of the Corporative precept by the registrar or a person authorized by the registrar, and when books and accounts are requested for the purpose, certified copies of all such books and accounts should be made available as per regulation..... by the executive committee.

41. As per article 26(1) of the Corporative Precept, a registered society when issuing a copy of a document or a note in a book, may certify that the copy issued is a true copy of the original and that the original is in the custody of the society and may certify at the bottom of that copy in writing. Such a certification could be signed by the society's President or a member of the executive committee mentioning the date of certification.

Reserve.

42. The reserve fund of a registered society, unless a directive issued by the registrar as per article 36 of the Corporative society Precept, may be utilized for the activities of the society.

43. The reserve fund of a registered society, cannot be divided and therefore no member has the right to demand any part of it.

Disputes.

44. (i) When a dispute has to referred to the Registrar for a ruling as per article 53 of the Corporative Precept,

(a) the executive committee of the registered society, or

(b) the registered society as per a resolution voted at a general meeting of that society, or

(c) one party to the dispute, or

(d) a member of the society, if the dispute is about dues to the registered society from an executive committee member or an officer of a registered society, may present that dispute to the registrar.

- (ii) When an appeal has been made by a registered society to the registrar under article 53(1) of the Precept and if that appeal is not made by a person as considered eligible according to regulation 44(1), any dispute that will arise from such an appeal should be presented to the registrar on behalf of that society by a person who has carried out an audit as per article 39 of the Co-operative Precept or a person who has conducted an examination, inquiry or investigation as per article 41 of the Co-operative Precept.
- (iii) The registrar has authority to direct the complainant to a dispute to pay a part or in full, the expenses that will be required to bring a dispute into a settlement before the settlement process commences.
- (iv) When a complaint is made to the registrar on monies due from an executive committee member or any other officer of a registered society or when a complaint is made to the registrar under regulation 44 (11) by any person, that member or person will enjoy power to work on behalf of the society on all matters connected to the said dispute and have access to all the books and documents relating to that dispute. Further he is also entitled to claim the expenses he may incurred in this regard.

A person who is obstructing either a party or a person appearing on behalf of a party, to a dispute would be culpable of an offense.

- (v) (a) If the registrar decides to appoint an arbitrator to settle a dispute, that arbitrator should be appointed by the registrar.
- (b) If the arbitrator appointed under regulation 44(V)(a) dies, or is unwilling to act as an arbitrator, or does neglect his duty as an arbitrator or is found to be not competent to work as an arbitrator by the registrar, or is unable to work as an arbitrator due to absence in the area or due to sickness, the registrar has authority to appoint an alternative arbitrator in place of that arbitrator who either died, was unwilling, incompetent or was unable to perform his duty.
- (c) An arbitrator appointed by the Registrar as per regulation 44(v) (a), should immediately act on setting the dispute, finalize the examination and issue a ruling within three months of the date that he/she was appointed. However, if the arbitrator is unable to give a ruling within that period, the arbitrator should inform the registrar, without delay, of his inability to issue the ruling within that time given, with reasons for such inability, Further, the arbitrator could therein mention the time he required to complete the examination and issue a ruling and upon receiving that the registrar could then decide to extend the period according to his assessment of the time required.
- (d) If an arbitrator is unable to complete the task entrusted to him/her due to some reason or the other he/she should handover all documents that were sent to him in this connection back to the registrar informing of his/her inability.
- (e) An arbitrator should not issue a one party judgement due to the absence in attendance of one party to a dispute. However, if the respondent fails to present himself even after a proper intimation, the arbitrator may proceed to issue a one party judgement but not on the first day of hearing of the dispute itself.

- (vi) If the registrar decides to entrusts a particular dispute to more than one arbitrator, the registrar should appoint a panel of three arbitrator for the purpose. For that panel, each party to the dispute may appoint one arbitrator each while the third arbitrator has to be appointed by the registrar. The arbitrator appointed by the registrar should act as the Chairman of the panel.
- (vii) (a) When the registrar requests a party to appoint an arbitrator as per regulation 44 (vi) and if such appointment is not made within 15 days of such request, the registrar has power to appoint and arbitrator in place.
- (b) If an arbitrator appointed by a party to the dispute dies, or is unwilling to act as an arbitrator, or does neglect his duty as an arbitrator or is found to be not competent to work as an arbitrator by the registrar, or is unable to work as an arbitrator due to absence in the area or due to sickness, the registrar has authority to request the party concerned to appoint an alternative arbitrator within 15 days. However, if that request is not acceded to within the time specified, the registrar may appoint an arbitrator in place.
- (c) If an arbitrator appointed by the registrar dies, or is unwilling to act as an arbitrator, or does neglect his duty as an arbitrator or is found to be not competent to work as an arbitrator by the registrar, or is unable to work as an arbitrator due to absence in the area or due to sickness, the registrar has authority to appoint an alternative arbitrator in place of that arbitrator who has either died, was unwilling, incompetent or was unable to perform his duty due to any other reason.
- (viii) The parties to a dispute cannot nominate a lawyer as the arbitrator to a dispute.
- (ix) Under this regulation either the registrar or the arbitrator has the authority to carry out the following activities:
 - (a) to take oaths,
 - (b) to send summons, either by word of mouth, by hand, by registered post or through the Courts that cover the jurisdiction of the area the society is located and accordingly to summon all the parties and evidence to the dispute and to leverage the production of books, accounts and documents are required to settle the dispute.
 - (c) to reimburse the entire expenditure incurred in settling the dispute, including expenses incurred by a person who initiated the dispute under regulations 44(1)(c) or 44(11) or to direct a particular party or parties to the dispute to reimburse such expenses when considered suitable.
- (x) Either the registrar, the arbitrator or the arbitrators, having considered, the statements of the parties to the dispute, their evidence and, if there are any evidence in writing or in any other form as well, should deliver the ruling, considering the circumstances and the situation, based on reason, justice and according to the conscience.

Having documented the ruling of the Arbitrator or Arbitrators and having read that out to the parties to the dispute the registrar or a person nominated by him, a person working for the registrar should be dispatched together with a copy of the inquiry report to implement the ruling.

- (xi) A dispute presented before an Arbitrator Board of three arbitrators should be decided on the majority consent. When there are conflicting views among the arbitrators, the chairman's decision should be taken as the ruling.
- (xii) The registrar has authority to give a ruling, on an appeal, without listening to any of the parties to the dispute.
- (xiii) When an appeal is made and if the registrar forms the opinion that there are sufficient grounds for an appeal, the money deposited by the appellant may be refunded.
- (xiv) If the registrar is of the opinion that there are no sufficient grounds for an appeal he may proceed to forfeit the deposits made and credit same to the consolidated account.
- (xv) The registrar, the arbitrator or the arbitrators will not entertain lawyers to appear for Either of the parties to the dispute.
- (xvi) When a dispute reaches a settlement, especially in the case of a loan, no interest will be charged once the post settlement repayment schedule is agreed upon.

45. For an appeal made under article 39 or 44 or the Co-operative precept, the Minister's ruling shall be final.

Appeals to
the Minister.

46. (i) If the registrar forms the opinion that a particular executive committee member, the officer or an employee of a registered society is not performing his/her duties competently and efficiently as required and if the registrar has verified that position after an examination, the registrar has power to issue a directive in writing ordering the society to remove the particular executive committee member, officer or employee from service. The society then has to take action accordingly.

Incompetent
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(ii) If the registered society does not act as directed under regulation 46 (1) above, the registrar may issue a written directive to the concerned executive committee member, officer or employee ordering him to resign from his position in the society. Accordingly, the subject executive committee member, officer or employee will cease to function in his position and he will have no capacity to perform the functions that the society has entrusted on him, any longer.

When an executive committee member, officer or employee losses his office under this regulation he/she may hand over all items and documents that belong to the society to a senior responsible officer of the society and obtain an acknowledgement for same. Not complying with this regulation is an offence.

47. When person or personnel are appointed to a registered society in terms of Article 44 of the Co-operative Precept to manage the affairs of the society, the members of the dissolved executive committee should hand over all items, documents and books of accounts to the taking over party within a period determined by the registrar. If a particular executive committee member fails to hand over society items in his possession as directed by the registrar that committee member is culpable of an offence.
- Transaction with non-members 48. If a registered society is engaged in transactions with outsiders who are not members of the society and if the registrar believes that such transactions are against the Co-operative policy, against the interest of the society, an abuse of the privileges of the Co-operative spirit, an avoidance of income tax payments or any such irregularity, the registrar could proscribe or impose limits on such transactions.
- Lapses. 49. All lapses against the regulations detailed from articles 1 to 50 in here should be dealt with in the same way as lapses are dealt with under article 73 of the Co-operative Precept.
- Abrogation. 50. This will replace the regulations published in *gazette* notification No. 93/5 of 10th January 1974.

Attachment

SPECIMEN FORM OF THE REGISTRATION CERTIFICATE (4TH REGULATION)

The Co-operative Society titled

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with its registered address at

is herewith certified as registered under article 6 of the Co-operative Precept.

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Date

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Registrar of Co-operative Society.