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PART IV (A) — PROVINCIAL COUNCILS

Provincial Councils Notifications

CENTRAL PROVINCE PROVINCIAL COUNCIL

Co-operative Societies Statute No. 06 of 2018 of the Central Provincial Council

A statute to provide for the development of co-operative societies, and matters relating to the establishment, registration and administration of Co-operative Societies and to provide for matters connected therewith and incidental thereto and to withdraw the amended Co operative Society Statute No. 10 of 1990 amended by the Central Provincial Cooperative Society Statute (Amendment) No. 04 of 1993. This Statute is in compliance with the Co-operative Societies law No. 05 of 1972

Be it enacted by the Central Provincial Council of the Republic of Sri Lanka as follows

01. This statute may be cited as the Co operative Societies Statute No. 06 of 2018

Short title

CHAPTER I

Appointments of Registrar, Deputy, Senior Assistant, and Assistant Registrars and their powers

02. (1) There may be appointed a registrar of Co-operative Societies for Central Province, Sri Lanka and such number of Deputy, Senior Assistant, or Assistant Registrars as may be necessary
- (2) The Minister of Co-operative Development, Central Province, may by general or special Order, confer on any Deputy, Senior Assistant or Assistant registrar all or any of the powers of a Registrar under this Statute or under any rules made there under
- (3) The person appointed by the Governor of Central Province to be or to act for the time being as, the Commissioner of Co-operative Development shall have and may exercise the same powers as are vested in the Registrar of Co-operative Societies by this Statute and by any rules made or deemed to be made there under.

Appointments of Registrar, Deputy, Senior Assistant, and Assistant Registrars and powers of Commissioner of Co-operative Development and the persons appointed to assist the Commissioner.



- (4) Each of the persons appointed to assist the commissioner of Co-operative Development shall have and may exercise such of the powers of the Registrar under this Law and under any rules made or deemed to be made there under as may be specified by the Minister in any general or special order made under this Section.

CHAPTER II

Registration

Societies which
may be registered

03. (1) Subject to the provisions hereinafter contained,
- (a) a society which has as its object the providing of specific services for the economic, social or cultural welfare of its members in accordance with co-operative principles,
 - (b) A society consisting of registered Societies as members established for the purpose of facilitating the operations of a Society referred to in paragraph (a) ,

May be registered under this Statute with or without limited liability. Provided that the liability of a society of which a member is a registered Society shall be limited.

Conditions of
Registration

04. (1) (a) No society shall be registered,
- when in a members only situation, if it does not consist of at least twenty five persons each of whom is above the age of eighteen years and resides or is employed or owns immovable property within the proposed area of operations of the Society seeking registration and are capable of utilizing the services rendered by the Society, or
- (b) If it consists only of registered Societies and if it does not have at least five members,
 - (c) If the Society has not acquired a report and a recommendation as ordered by the rules
 - (i) as to the activities proposed to be engaged by the society are economically appropriate,
 - (ii) as to the proposed by-laws of the Society does not comply with this statute or the provisions of the rules made there under,
 - (d) If the proposed by-laws have not been approved at a general meeting duly summoned for the said purpose in the presence of the Registrar or his representative,
 - (e) If the proposed by-laws does not include a provision that at least two of the committee members should be in between the ages of eighteen to thirty five years and that once elected to the committee, one is not eligible to continue as a committee member on exceeding 35 years of age within the term of office mentioned in by-laws,
 - (f) If each member signing the application for registration has not completed his dues regarding his membership,

- (g) If the society has failed to provide all information ordered by the Registrar for registration purposes,
 - (h) If have failed to pay the registration fee as required by rules,
 - (i) If other qualifications to be fulfilled to contest for elections and to get appointed for posts at the completion of membership process as mentioned in the by-laws are not prescribed in by-laws,
 - (j) If it is not indicated in the by-laws that the committee shall act according to the National Co-operative Policy Statement and utility codes on good governance,
- (2) (a) If the rules and conditions stated under sub Sections e, I and j of Subsection 1 has not been included in a by-law registered under a previous Act or Statute, the Registrar shall order the Secretaries and Committees of Societies to include them in by-laws, and the Secretaries and Committees shall act accordingly.
- (b) The Registrar may decide whether the conditions stated in the provisions for the duties under this Section has been fulfilled where there is an ambiguity, and his decision shall be considered final.
- (c) The Sinhala name of each limited liability Society registered under this statute shall begin with the Sinhala word for word 'Limited'. The respective word in Tamil or English shall be a part of the Tamil or English name.
05. (1) For the purpose of registration an application shall be made to the Registrar. Application for registration
- (2) The application shall be signed -
- (a) In the case of a society of which no member is a registered society, by at least twenty five persons qualified in accordance with the requirements of Section 4 (1); and
 - (b) In the case of a society of which a member is a registered society, by a duly authorized person on behalf of every such registered Societies,
- (3) The application shall be accompanied by
- (a) two copies of the proposed by laws;
 - (b) a capability report relevant to the economic activities proposed to be involved by the Society as per the 4.1 (c);
 - (c) Certified copies of the minutes of the meeting at which the proposal to register the society was approved, attendance sheet, minutes of the meeting in which the by-laws was approved
 - (d) A letter from the committee upholding the payment of membership fees by the members signing the application and that money is in the possession of the committee.

Registration	06.	<p>(a) If the Registrar is satisfied that a Society has complied with the provisions of this Law and the rules, that the activity in which the society proposes to engage is economically feasible, and that its proposed by-laws are not contrary to this Law or to the rules, he may, if he thinks fit, register the society and its by-laws. An Appeal in accordance with such rules as may be made in that behalf shall lie to the Minister against the refusal of the Registrar to register any society.</p> <p>(b) The Societies shall conduct financial services and gold pawning services according to co-operative regulations or as ordered by the Registrar under the laws and regulations existing at the time If the provisions have been made to conduct above services by the registered by-laws.</p>
Evidence of registration	07.	<p>(1) A Certificate of registration signed by the registrar shall be conclusive evidence that the society therein mentioned is duly registered, unless it is proved that the registration of the society has been cancelled.</p> <p>(2) A certificate of registration should be issued by the registrar once a society is registered under Section 6.</p>
Amendment of the by-laws of a registered Society	08.	<p>(1) Any registered Society may, subject to this Statute and the rules made there under, amend its by-laws, including the by law which declares the name of the society.</p> <p>(2) (a) No amendment which changes the name of a society shall be valid until that amendment has been registered under this statute for which purpose two copies of the amendment shall be forwarded to the Registrar.</p> <p>(b) Any amendment regarding by-laws of a registered society shall not be registered unless accompanied by a report stated in section 4 (1) (c), (ii)</p> <p>(3) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Statute or to the rules, he may, if he thinks fit, register the amendment. An appeal in accordance with such rules as may be made in that behalf shall lie to the Minister against the refusal of the Registrar to register any amendment of any by-law.</p> <p>(4) An amendment, which changes the name of a society shall not affect any right or obligations of the society or of any of its members or past members, and any legal proceedings pending may be continued by or against the society under its new name.</p> <p>(5) Where the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence of the fact that the amendment has been dully registered.</p> <p>(6) In this section “amendment” includes the making of a new by-law and the variation or rescission of a by-law.</p>
Amalgamation, division and transfer of assets and liabilities of registered societies	09.	<p>(1) A registered society may, with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the members or delegates present and voting at a general meeting of the society -</p> <p>(a) transfer its assets and liabilities in whole or in part to any other registered society; or</p> <p>(b) Divide it into two or more societies.</p>

- (2) Any two or more registered societies may, with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the members or delegates present and voting at a general meeting of each such society, amalgamate themselves and form a new society.
 - (3) The resolution of a registered society under Subsection (1) or Subsection (2) shall contain all particulars of the transfer, division or amalgamation as case may be.
 - (a) If a recommendation report on the economic feasibility of proposed transfer, division or combining has not been obtained from a person or institution specified by the regulations;
 - (b) When the certificate of registration has been divided among certain societies, or has been combined with other societies, if a report has not been obtained from an institution for the duties of Section 4 or a designated person stating that the by-laws of those societies are compliant with a regulation made under the provisions of this statute;

The Registrar shall not give permission to a society to transfer its assets and liabilities to another society, divide the society into two or more societies, or combine with another society.
 - (4) Where a registered society has passed any such resolution, it shall give notice thereof in writing to all its members and creditors and, notwithstanding any by-laws or contract to the contrary, any member or creditor shall during the period of one month of the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.
 - (5) Any member or creditor who does not exercise his option within the period specified in Subsection (4) shall be deemed to have assented to the proposals contained in the resolution.
 - (6) Where a resolution passed by a registered society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any law for the time being in force be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.
10. (1) Where the whole of the assets and liabilities of a registered society are transferred to another registered society in accordance with the provisions of Section 9, the registration of the first mentioned society shall stand cancelled and that society shall be deemed to have been dissolved and shall cease to exist as a corporate body.
- (2) When two or more registered societies are amalgamated into a new society in accordance with the provisions of Section 9, the registration of each of the amalgamating societies shall stand cancelled on the registration of the new society and each such society shall be deemed to have been dissolved and shall cease to exist as a corporate body.
- (3) Where a registered society divides itself into two or more societies in accordance with the provisions of Section 9, the registration of that society shall stand cancelled on the registration of the new societies, and that society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

Cancellation of registration certificates of registered societies in certain cases.

CHAPTER III

Members of registered societies and their rights and liabilities

Members not to exercise rights till due payments made	11. (1)	No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the rules or by - laws.
	(2)	When the liability of the members of a society is limited, liability of any member who is not a registered society shall be limited to a maximum of one fifth of the share capital of the society as ordered by the regulations.
Method of Payment for Buying Shares	(3)	The minimum value of a share of a registered society shall be not less than Rs.100.00. The value of a share may be increased as agreed at a general assembly. A share may be purchased with a single payment or by paying not less than ten percent of the share price and paying the balance within one year.
	(4)	(a) A member who has paid the value of a share in full and whose membership is more than one year shall be considered a full member. A member shall not exercise the right to vote and right to be elected to an office until he receives the full membership. (b) However this shall not effect persons applying to the Registrar for registering a society a new under the procedure specified by Sections 4(1)(a), 4(1)(b), 5(1) and (2) of this statute.
Qualifications for Voting	(5)	A member receives the right to vote in any meeting and to be elected to an office, only after obtaining the full membership.
Disqualifications	(6)	A person who is elected as a member of the Parliament, Municipal Council, Town Council or Provincial Council becomes non-eligible to be elected as a member of the Committee or to hold the membership of the committee any longer.
Disqualifications for being appointed as Chairman	(7)	If a person, at the date of appointment, holds the position of Chairman in another registered society that has other societies as its members, becomes ineligible to be appointed to the post of the chairman of a society which has different objectives to the objectives of the aforesaid society.
Associate members	12. (1)	A registered society may admit any individual who enters in to an agreement to carry out commercial activities as per the by-laws of the society as an associate member
	(2)	An associate member shall not be entitled to any share, in any form whatsoever, in the assets or profits of the society, or any vote in the conduct of the affairs of the society.
Contracts made with societies by members who are minors	13.	The minority or non-age of any person duly admitted as a member of any registered society shall not debar that person from executing any instrument or giving any acquaintance necessary to be executed or given under this Law or the rules made there under, and shall not be a ground for invalidating or avoiding any contract entered into by any such person with the society. And any such contract entered into by any such person with the society, whether as principal or as surety, shall be enforceable at law by or against such person notwithstanding his minority or non-age.

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| 14. | The subsequent discovery, of any defect in the appointment of, or of any disqualification for election of, any officer of a registered society shall not be a ground for invalidating or avoiding any contract entered into by such officer on behalf of such society. | Contracts by officers of societies |
| 15. | No member of any primary society shall have more than one vote in the conduct of the affairs of the society:

Provided that in the case of an equality of votes the chairman shall have a casting vote. | Votes of members |
| 16. (1) | No member of any primary society shall at any meeting of the society exercise his vote except in person:

Provided, however, that voting through delegates at any meeting of the society may be allowed where it is so provided under the by-laws of the society. | Manner of exercising votes |
| (2) | A registered society which is a member of any other registered society may appoint any one of its members for the purpose of voting in the conduct of the affairs of such other registered society. | |
| (3) | the elections of registered Co-operative societies shall be conducted according to the regulations of this statute imposed by the Minister. | |
| 17. (1) | The transfer of the share or other interest of a member or past member or deceased member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this statute or by the rules. | Restrictions on transfer of share or interest |
| (2) | In the case of a society registered with unlimited liability, a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless | |
| | (a) he has held such share or interest for not less than one year; and | |
| | (b) the transfer is made to the society, or to a member of the society, or to a person whose application for membership has been accepted by the committee | |

CHAPTER IV

Duties of Registered Societies

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| 18. | Every registered society shall have an address registered in accordance with the rules, to which all notices and communications may be sent, and shall within seven days of any change of that address notify the Registrar of such change. | Address of society |
| 19. (1) | Every registered society shall keep 5 copies of this statute and of the rules and of its by-laws and a list of its members open to inspection, free of charge, at all reasonable times at the registered address of the society. | A copy of the statute, rules, by-laws, etc. to be open for inspection |
| (2) | The list must include the member's | |
| | (a) Name, Membership No., N.I.C. No., address and occupation | |
| | (b) Date of registration | |
| | (c) Date of loss of membership | |
| | (d) Reasons for the loss of membership | |

CHAPTER V

Privileges of registered societies

Societies to be bodies corporate	20.	The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution.
Disposal of produce to or through society	21.	<p>(1) A registered society which has as one of its objects the disposal of any article which is the produce of agriculture or animal husbandry or any other industry, may provide in its by-laws or may contract with its members.</p> <p>(a) that every such member who produce any such article, shall dispose of the whole or of any specified amount, proportion or description thereof to or through the society, and</p> <p>(b) that any member who is proved or adjudged in such manner as may be prescribed by rules, to be guilty of a breach of the by-laws or contract, shall pay to the society as liquidated damages a sum ascertained or assessed in such manner as may be prescribed by rules, or by its by-laws.</p> <p>(2) A contract made by a registered society under subsection (1) shall create in favor of the society a first charge upon all articles, whether produced or about to be produced, to which the contract relates.</p> <p>(3) In any legal proceedings arising out of a contract under subsection (1), it shall not be a defence that the contract is in restraint of trade.</p> <p>(4) A member of a registered society shall be deemed not to have contravened any by law of the society, if the failure to deliver such produce was due to the fact that he had, prior to becoming a member of the society, contracted to deliver the produce to some other person.</p> <p>(5) Every person who applies for membership of a registered society shall, if required so to do, disclose in his application particulars of all contracts made by him for the delivery of any produce to any other person.</p>
Compulsary sale of produce through a registered society in certain cases.	22.	<p>(1) Where the Minister is satisfied in the case of any registered society that the members of the society or any section hereof are producers of any article in Sri Lanka, or in any province, district or area in Sri Lanka, the Minister may in his discretion, by order, direct each producer of that article in Sri Lanka, or in such province, district or area in Sri Lanka, as the case may be. Whether such producer is or is not a member of the society, to sell to or through the society such part of the total quantity of that article produced by him as is not required for his own use or consumption.</p> <p>(2) Every Order made by the Minister under sub-section (1) shall be published in the Gazette and shall specify the article, the area in which the Order shall operate and the basis on which the producer of such article shall be paid.</p> <p>(3) Every Order shall come into operation on the date of its publication in the Gazette and shall subject to the provisions of subsection (5) continue in operation until it is rescinded.</p>

- (4) Every Order shall, as soon as may be after it has come into operation, be brought before the National State Assembly for approval.
- (5) Every order which the National State Assembly refuses to approve shall be deemed to be rescinded, but without prejudice to the validity of anything previously done or suffered to be done there-under. The date on which an Order shall be deemed to be rescinded shall be the date on which the National State Assembly refuses to approve the Order, and such date shall be notified in the Gazette.
- (6) (a) The Minister may at any time by Order published in the Gazette (Such Order being hereinafter referred to as an “amending Order”) vary any Order previously made under subsection (1). Every amending Order shall come into operation on the date of its publication in the Gazette.

(b) An Order made under subsection (1) which is varied by an amending Order shall continue in operation, as so varied, for the period during which it would have been in operation if it had not been so varied, and no longer.

(c) Every amending Order shall be brought before the Central Provincial Council for approval:

Provided, however, that where an Order made under subsection (1) is varied by one or more amending Orders before it is approved by the National State Assembly under subsection (4), the Order when it is brought before the Central Provincial Council for approval under that subsection, shall have incorporated therein all variations effected by such amending Order or Orders, and it shall not be necessary in any such case to bring any such amending Order separately before the Central Provincial Council.

(d) The refusal of the Central Provincial to approve any amending Order which is brought before the Central Provincial Council for approval shall be deemed to be a rescission of that amending Order, and the Order made under subsection (1) shall, from the date of such rescission, continue in operation as though that amending Order had not been made.

(e) The Minister may at any time rescind any Order previously made under subsection (1). Notification of the rescission of any such Order shall be published in the Gazette and such Order shall be deemed to be rescinded upon the date of such publication.
- (7) Every order, after being approved by the Central Provincial Council, shall be valid and in effect as if enacted under this statute.
- (8) Every Notice to be published in the Gazette under this section should be published under the signature of the Minister.
- (9) The provision of any Order made under this section shall, notwithstanding that they are inconsistent with or in conflict with the provisions of any other written Law, prevail over such other written law for the period during which the Order is in force.
- (10) Every producer who is directed by Order under subsection (1) to sell any article to or through a registered society of which he is not a member, shall, in respect of any matter or transaction arising out of such sale, be subject to the same conditions and obligations to which he would have been subject if he were a member of the society.

- (11) Where any producer in respect of whom an Order is made under subsection (1), and who is not a member of the registered society, applies for admission as a member of the society, the society shall -
- (a) if he so desires deduct from any funds received or held by the society on his account, the whole or any portion of the subscription for membership, and
- (b) admit him as a member upon payment in full of such subscription subject to any such deduction as aforesaid.
- Persons soliciting others to violate contracts
23. (1) Any person who, having knowledge or notice that any other person has contracted under section 21 or is bound by an Order under section 22 to sell any article produced by such other person to or through a registered society, solicits or persuades such other person to sell or deliver such article, in violation of such contract or in contravention of such Order, as the case may be, shall be guilty of an offence and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding one thousand rupees.
- (2) Where the person convicted of an offence under subsection (1) is a body corporate, every person who at the time of the commission of the offence was a director or officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of the offence.
- Rights of registered society over crops, agricultural produce, cattle, implements, raw material and manufactured article belonging to any member
24. (1) Subject to any prior claim of the Republic on the property of a debtor and to the lien or claim of a landlord in respect of rent or any money recoverable as rent, and in the case of immovable property, to any prior registered charge thereon- any debt or outstanding demand payable to a registered society by any member or past member shall be a first charge-
- (a) upon crops or other agricultural produce raised in whole or in part with a loan taken from the society by such member or past member:
- (b) upon any cattle, fodder for cattle, agricultural or industrial implements, or raw materials for manufacture, or workshops, godown, or place of business, supplied to or purchased by such member or past member in whole or in part from any loan whether in money or goods given to him by the society.
- (2) any outstanding demands or dues payable to a housing society by any member or past member in respect of rent, shares, loans, or amounts payable to such society shall be a first charge upon his interest in the immovable property of the society.
- Charge and set-off in respect of shares or interest
25. A registered society shall have a charge upon the shares or other interests in the capital and on the deposits of a member or past member or deceased member and upon any dividend, bonus, or profits payable to a member or past member or to the estate of a deceased member in respect of-
- (a) any debt due to the society,
- (b) any debt due to any other registered society, or

(c) any amount due to the liquidator of any registered society,

from such member or past member or estate, and may set off, or pay to such other society, or liquidator, as the case may be, any sum credited or payable to a member or past member or estate of a deceased member in or towards payment of any such debt or amount.

26. Subject to the provisions of section 25, the share, contribution or other interest of a member in the capital of a registered society shall not be liable to attachment or sale under any debt or liability incurred by such member, and neither his assignee in insolvency nor a receiver appointed under Chapter L of the Civil Procedure Code, shall be entitled to, or have any claim on, such share, contribution or other interest. shares, contributions and other interests not liable to attachment or sale
27. (1) On the death of a member, a registered society may transfer the share or other interest of the deceased member to the person nominated in accordance with the rules made in that behalf, or, if there is no person so nominated to such persons as may appear to the committee to be the heir or legal representative of the deceased member, or may pay to such nominee, heir, or legal representative, as the case may be, a sum representing the value of such member's share or other interest, as ascertained in accordance with the rules or by-laws: Transfer of interest on death of member

Provided that-

 - (a) in the case of a society with unlimited liability, such nominee, heir, or legal representative, as the case may be, may require payment by the society of the value of the share or other interest of the deceased member ascertained as aforesaid: and
 - (b) in the case of a society with limited liability, the society may transfer the share or other interest of the deceased member to such heir or legal representative, as the case may be, who is qualified in accordance with the rules and by-laws for membership of the society, or on his application within six months of the death of the deceased member to any person specified in the application who is so qualified.
- (2) A registered society shall pay all other moneys due to the deceased member from the society to such nominee heir, or legal representative, as the case may be.
- (3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.
28. (1) A registered society may receive deposits from or for the benefit of minors and it shall be lawful for a registered society to pay to such minors the interest which may become due on such deposits. Any deposits made by a minor may, together with the interest accrued thereon, be paid to that minor: and any deposit made on behalf of a minor may, together with the interest accrued thereon, be paid to the guardian of that minor for the use of the minor. Deposits by or on behalf of minor;
- (2) The receipt of any minor or guardian for money paid to him by a society under this section shall be a sufficient discharge of the liability of that society in respect of that money.

Liability of past member and estate of deceased member for debts of society	29. (1)	The liability of a past member for the debts of a registered society as they existed on the date on which he ceased to be a member shall continue for a period of two years reckoned from that date.
	(2)	The estate of a deceased member shall, for a period of two years reckoned from the date of his decease, be liable for the debts of the society as they existed on the date of his decease.
Register of members	30.	Any register or list of members kept by any registered society shall be prima facie evidence of any of the following particulars entered therein: -
		(a) the date on which the name of any person was entered in such register or list as a member
		(b) membership number
		(c) the date which any person cease to be a member
Proof of entries in books of society	31. (1)	A copy of any entry in a book of a registered society regularly kept in the course of business shall, if certified in such manner as may be prescribed by the rules, be received in any legal proceeding, civil or criminal, as prima facie evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions, and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.
	(2)	No officer of any registered society shall in any legal proceedings to which the society is not a party, be compelled to produce any of the society's books, the contents of which can be proved under subsection (1) or to appear as a witness to prove any matters, transactions or accounts therein recorded, unless the court for special reasons so directs.
Deposits of securities as pledged by a society	32.	Notwithstanding any written or other law for the time being in force, a registered society may -
		(a) pledge as security for a general balance of account any securities held by it; and
		(b) authorize the creditor, in the event of default of payment on the date of the termination of a notice issued to the society, to sell any or all of such securities, without recourse to court, and to credit the proceeds to such balance of account.
Right to acquire and sell property	33.	A registered society shall obtain prior approval of the Registrar in addition to the approval of the general assembly when buying, selling, pawning, leasing exchanging or using any other instrument of disposition of any movable or immovable property other than goods for trading of over a value of Rs.250,000/- if related to the field of cooperative banks and financial services or Rs.500,000/- if related to another businesses, for a purpose related to objectives of that society.
Compulsary acquisition of lands and buildings	34. (1)	Where any land or building is required for any purpose connected with the objects of a registered society, that purpose shall be deemed to be a public purpose and that land or building may be acquired under the Land Acquisition Act by the Government for that society.

- (2) Where any land or building is to be acquired under the Land Acquisition Act by the Governemnt for a registered society, that society shall, before an Order relating to that land or building is made under section 38 of that Act, pay to the Government the amount determined under that Act as the compensation payable in respect of that land or building is made under section 38 of that Act, pay to the Government the amount determined under that Act as the compensation payable in respect of that land or building and also the costs incurred by the Government in the acquisition proceedings:
- (3) Provided, however, that where it becomes necessary to take possession of any land or building on the ground of any urgency before the amount of compensation is determined under that Act, that society shall pay to the Government before such Order is made such amount as in the opinion of the acquiring officer is likely to be determined as the compensation payable in respect of that land or building, and shall pay the balance amount, if any, after the amount of compensation is determined under that Act.

CHAPTER VI

General Provisions related to by-laws

35. (1) Every by-law of a registered society shall, upon registration, be binding upon the society shall, upon registration, be binding upon the society and the members thereof to the same extent as if the by-law was signed by each member of the society and contained a covenant by each such member to observe the provisions of the by-law. By-laws of a society to bind members
- (2) Any dispute arising out of the interpretation of a by-law of a registered society shall be referred to the Registrar for his decision, and his decision shall be final and conclusive in law.
36. No by-law made by a registered society in respect of any matter for which by-laws are authorized by any rule to be made, shall be called in question in any court of law on the ground only that such by-law constitutes a contract in restraint of trade. Power to make by-laws in restraint of trade
37. The by-laws made by any registered society may, subject to any rules, provide for the imposition of fines on the members of the society for contravention of its by-laws: Power to make by-laws for the imposition of fines on members
- Provided, however, that no such fine shall be imposed on any member unless-
- (a) notice in writing of the intention to impose such fine and the reasons therefor have been given in writing to him by the society; and
- (b) he has failed to show, within such time and in such manner as may be prescribed by rules, sufficient cause against the imposition of the fine.

CHAPTER VII

Properties and Funds of Registered Societies

Loans made by Registered Societies	38. (1)	A registered society shall not lend a loan to any person other than a member. However a registered society may lend a loan to a society that has associate membership of the said society, or supply goods on credit to an associate member on conditions laid out by the Registrar provided that the prior permission of the Registrar has been obtained and with the approval of the general assembly.
	(2)	Except with the permission of the Registrar, a registered society shall not lend money on the security of any movable property other than agricultural produce.
Deposits and Loans received by Registered Societies	39. (1)	A registered society shall accept deposits and loans from persons other than members only up to an amount stipulated by Regulatory laws for Cooperative Banks imposed under the Chapter XIV and Financial affairs and regulations on Cooperative societies or by-laws and the conditions stipulated such.
	(2)	Where a loan is granted to a registered society by a bank on the mortgage of any immovable or movable property, such property shall from and after the date of the registration of Documents Ordinance, be charged with the payment of the moneys due under such mortgage in priority to every other debt of such registered society whatsoever and to every mortgage or charge affecting such property, except a mortgage or charge affecting such property which is secured by a mortgage duly registered under the Registration of Documents Ordinance prior to such date.
Restriction on other transactions with non-members	40.	Save as provided in sections 38 and 39, Transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions as may be prescribed by the rules.
Investing Funds of the Society	41. (1)	A registered society may deposit or invest its funds in any of the securities other than a first mortgage of immovable property specified in section 20 of the Trust Ordinance, or with any banker or person acting as a banker approved for this purpose by the Registrar, or in the shares or on the security of any other registered society, approved for this purpose by the Registrar, or in any other mode permitted by the rules.
	(2)	Any deposit or investment made before the commencement of this Law which would have been valid if this Law had been in force is hereby ratified and confirmed.
Disposal of profit	42. (1)	Every registered society shall, out of its net profits in any financial year as ascertained by the audit under section 44-
	(a)	transfer an amount not being less than twenty five per centum of the net profits to the reserve fund of the society; and
	(b)	contribute such portion of the net profits as may be prescribed by rules to the Co-operative fund established under the rules.
	(2)	The balance of the net profits may be utilized for all or any of the following purposes
	(a)	payment of dividends to members on the value of the business done by them with the society to the extent and in the manner specified in the by-laws;

- (b) payment of rebates to members on the value of the business done by them with the society to the extent and in the manner specified in the by-laws;
 - (c) contributions to such funds as may be prescribed in the by-laws;
 - (d) payment of bonus to employees of the society;
 - (e) Contributions of an amount not exceeding ten *per centum* of the net profits to a Common Good Fund for expenditure on any Social, cultural or recreational purpose, or the advancement of any other object of local or public utility.
- (3) No distribution of profits of a registered society as mentioned in sections 1 and 2 shall be made without general or special order of the Registrar of the society.

CHAPTER VIII

Audit, Inquiry, Inspection or Investigation

43. (1) Each registered society shall maintain accounts on income of the society assets and liabilities and all other transactions in accordance with the standards given by the registrar and each society shall act accordingly. Audit
- (2) Each registered society shall prepare an annual report on accounts, schedules and statistics pertaining to the activities of the society as per ordered by the registrar or the person authorized by him. Such financial report shall be submitted to registrar or the person authorized by him within three months after the end of the financial year concerned.
- (3) If a registered society defaults the provisions of this section, all the members of the committee of such society shall be convicted for such offence, and on conviction after a summary trial before a Magistrate, be liable to be subjected under a fine not exceeding four thousand rupees.
- (4) In an instance the society fails to obey provisions of the section 43(2), the registrar shall provide a relief period of extra two month to prepare the annual report of the society. If it fails, the registrar shall cause the accounts of the society to be prepared by a person nominated by him and the registrar shall be able to levy such expenses from the defaulter as stipulated by the rules.
- (5) (a) Each registered society shall prepare budget estimation for each financial year including income targets, recurrent and capital expenditure, financial and finance resources, financial investments, budgeted profit and loss account, income and expenditure account and balance sheet. Preparation of Budget Estimations;
- (b) The budget estimation shall be presented to the general assembly of the society for approval at least two months prior to the commencement of the financial year concerned.
- (c) A copy of such budget estimation shall be submitted to the registrar at least one calendar month prior to the commencement of the financial year concerned.
- (d) The format and the structure of, and the minimum information to be included in, such budget estimation shall be as determined by the registrar.

Auditing

44.

- (1) The accounts of all registered societies shall be audited by the registrar or made to be audited annually by a government officer, cooperative development officer, chartered accountant, chartered accounting firm, authorized by him by a general or special written order.
- (2) The audit under subsection (1) shall include;
 - (a) an examination of overdue debts;
 - (b) a valuation and verification of the assets and the liabilities of the registered societies;
 - (c) An inspection whether the organization methods, operational procedures, books reports and other documents are properly and adequately designed to ensure a continuous assessment of proper financial management and activities of the society and whether those methods, operational procedures, books reports and other documents are implemented effectively.
 - (d) An inspection on whether the conduct of the society complies with the rules, regulations or provisions of by-laws of this statute or made under this statute, and whether the administration of activities of the society complies with the rules, regulations or provisions of by-laws of the statute.
 - (e) An inspection on whether the funds are utilized efficiently and economically.
 - (f) An inspection on whether proper operational procedures are prepared to ensure the safety of cash and properties owned by and under the management of the registered society.
 - (g) An inspection on whether the audited accounts are designed to present a true and accurate account of activities of the society in the period concerned with proper attention to principles of accounting, utilization of monies and estimation.
 - (h) An inspection on whether an internal audit has been conducted such that the accounts of the society can be updated and corrected, and whether action has been taken to correct the defects and omissions indicated by such audits.
 - (i) An inspection on whether a regulation of cooperative banks and financial activities as in chapter XIV with other specific facts.
- (3) For the purposes of an audit under subsection (1), the registrar or any person authorized by him to audit the accounts shall have the power;
 - (a) to summon any past or present officer, agent, servant, or member of the society or any other person who, in the opinion of the registrar, or the person authorized by him to audit, can give material information about any transactions of the society or the management of its affairs;
 - (b) to require the production of any book, or document relating to the affairs of the society, or any cash, security or other property belonging to the society, by any past or present officer, agent, servant or member of the society or any other person in possession of, or having the custody of such book, document, cash, security or other property and;

- (c) to take into his custody books of accounts or the documents of the society where he discovers a fraud in the process of such audit.
- (4) The registrar, or any person authorized by general or special order in writing in that behalf by the registrar, shall at all times have access to all the books, accounts, papers and securities of a registered societies, and shall be entitled to inspect the cash in hand: an every officer or member of the society shall furnish such information in regard to the transactions and working of the society as the person making an audit may require.
- (5) Or else information related to transactions and works of the societies shall be provided as ordered by the registrar or the person authorized to audit.
- (6) The registrar and every person authorized by him to audit the accounts of a registered society shall be deemed to be public servants within the meaning of the Penal Code.
- (a) i A payment has been made or some funds of the society has been used against any rules of this statute or any other law, or rules pertaining to cooperative societies or regulations related to financial procedure approved by the registrar, or circulars issued by the registrar or the Cooperative Employees Commission or any general provisions or by-laws of the society or provisions of working rules of the society by a person who is, or was in charge of organizing or management of a society, who is, or has been at any time an officer or an employee of the society.
- ii If, in the course of, or at the conclusion of, an audit under subsection (i), any irregularity or misuse of funds or properties of the society is found, the registrar shall disallow every such payment and every such use of funds and surcharge the same on the person making or authorizing the making of such illegal payment or such use of funds, and shall charge against any person, the amount any deficiency or loss incurred by the negligence or misconduct of that person and any amount which ought to have been, but is not, brought into account by that person, and shall in each case certify the amount due from such person and communicate his decision in writing to such person.
- (b) Before making any disallowance or surcharge against any person, the registrar, or any person authorized by general or special order in writing in that behalf by the registrar, shall offer an opportunity to such person to be heard or to make any representations with regard to the matters which he may think fit, and shall in the event of his making such disallowance or surcharge, furnish such person in writing, on application being made to him for that purpose with the reasons for his decision in respect of such disallowance or surcharge.
- (c) The provisions of section 66(2) shall apply in a case where the decision made by the registrar is not complied with.
45. (1) If on an audit held under section 44, any defects in the working of a registered society are disclosed, the registrar may bring the defects to the notice of the society and if the society is a member of another society, also to the notice of that other society.
- (2) The registrar may make an order directing the society or its officers to take such action as may be specified in the order within the time mentioned therein to remedy the defects disclosed.

Communication of
Defects in audit
to Societies

Inquiry and
inspection

46. (1) The registrar may of his own motion, hold an inquiry into the constitution, working, and financial condition of the registered society. In addition, he shall, on the application of a majority of the committee, or of not less than one third of the members of a registered society, or in case the general assembly consist of representatives, on the request of not less than one third of the such representatives, hold an inquiry into the composition, working, assets and financial condition of the registered society. The registrar may also direct some person authorized by him for such duty by order in writing in that behalf, to hold an inquiry into the composition, working, assets and financial condition or an inspection of books of the registered society.
- (2) For the purposes of an inquiry under subsection (i), the registrar or any person authorized by him to have an inquiry, shall have the power;
- (a) to summon any past or present officer, agent, servant, or member of the society or any other person who, in the opinion of the registrar, or the person authorized by him to inquire, can give material information about any transactions of the society or the management of its affairs;
- (b) to require the production of any book, or document relating to the affairs of the society, or any cash, security or other property belonging to the society, by any past or present officer, agent, servant or member of the society or any other person in possession of, or having the custody of such book, document, cash, security or other property and;
- (c) to summon a general meeting of the members of the society at such time and place as may be specified by him to determine such matter as may be directed by him; and
- (d) to take into custody the books of accounts or the documents of the society where he discovers a fraud in the cause of such inquiry.
- (3) The officer or officers appointed under this section to hold an inquiry or inspection shall complete and submit the report of such inquiry or inspection to the registrar on the date specified by him.
- (4) The registrar and every person authorized by him to hold an inquiry or inspection under this section shall be deemed to be public servants within the meaning of the Penal Code.

Inspection and
investigation of
cash, books,
properties,
accounts and
documents

47. (1) The registrar may investigate the cash, books, properties, accounts and any other documents or affairs of a registered society. Or else he can order a person authorized by him to conduct such inquiry or investigation.
- (2) The registrar or a person authorized by him under subsection (1), shall have powers vested under sections 46(2)(a),(b),(c),(d) and 46(4) of this statute.

CHAPTER IX

Suspension of Service and Removal of Officers and Dissolution of the Committee of a Registered Society

48. (1) If the registrar is of the opinion after an inquiry under section 46(1) or an inspection, that the committee of any registered society is not performing its duties properly, he may, after considering objections of the committee to its dissolution, summon a general meeting of the society as stipulated by the regulations, and by order in writing -
- Dissolution of the
Committee of the
Society
- (a) Dissolve the committee. The members of such dissolved committee are ineligible to be appointed to an office of any registered society for a period of five years from the date of dissolution.
- (b) The registrar shall appoint a board of control of not exceeding five suitable and proper persons to manage and administer the affairs of the society, out of which at least two persons shall be officers of department of cooperative development.
- (c) Any appointment for the board of control by the registrar under subsection 1(b) above shall have effect for a period of not exceeding two years, provided, however, that the registrar in his discretion from time to time amend the order for the purpose of extending the period during which the direction shall have effect, so however that the aggregate period during which the direction regarding a board of control shall so have effect shall not exceed three years.
- (d) The quorum for a meeting of such board of control shall comply with the regulations of subsection 67(3).
- (e) The suitable persons appointed under the provisions of 48(1)(b) shall be appointed for a period determined by the registrar to manage and administer the affairs of the society.
- (2) If the registrar is of the opinion that an allegation against the committee has been confirmed before an inquiry under section 46(1) or an inspection has been completed, he shall have the power to suspend the committee for a period of six months and appoint an interim board to manage and administer the affairs of the society. The registrar shall finish the inquiry or inspection within six months from the date of suspending the committee, and take a final decision on dissolving the committee under subsection 1.
- (3) Subject to the general direction and control of the registrar, any person or persons appointed under this section to manage the affairs of a registered society may exercise all the powers, rights, and privileges of a duly constituted committee of the society. In addition, when required, the registrar may, by way of a special order, grant the board of control the powers of the general assembly required to efficiently manage the affairs of the society.
- (4) Persons appointed under this section to manage the affairs of a registered society shall be jointly and severally responsible for any loss sustained through any such acts committed by them as are contrary to the law or the by-laws of the society.

- (5) The registrar may fix the remuneration payable to any person or persons appointed by him under this section to manage the affairs of a registered society. The amount of such remuneration and other expenses, if any, incurred in the management of the society shall be payable from the funds of the society.
- (6) It shall be the duty of the person or persons appointed under this section to manage the affairs of a registered society and holding office immediately prior to the date on which the direction under paragraph (b) of subsection (1) ceases to have effect, to arrange, prior to the date aforesaid, for the appointment of a new committee in accordance with the by-laws of the society.
- (7) Nothing in this section shall be deemed to affect the power of the registrar to cancel the registration of the society under section 49.

CHAPTER X

Dissolution of a registered society

Dissolution

49. (1) if the registrar after an inquiry under section 46 or an inspection or investigation or on receipt of an application for its dissolution made by three- fourths of the members of a registered society, and to the creditors of such society to state their objections, is of opinion that the society ought to be dissolved, he may by order under his hand cancel the registration of the society
- (2) Any member or credit or of a registered society may, within two months from the date of an order made under his section (1), appeal from such order to the minister
- (3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society the order shall take effect on the expiry of that Period. Where an appeal is presented within the two months, the order shall take effect until it is confirmed.
- (4) Where the Registrar cancels the registration of a society under sub-section 49 (I), he may appoint one or more persons to be in charge of the books, Documents and other property of the society and to manage the affairs of the society until the order cancelling take effect or until such order to reversed in an appeal by the Minister On the appointment of such person or person the committees of the society or any other person in charge the books. Documents and other property of the society shall hand over such books documents or property to the first mentioned person or persons and such committee shall until the order cancelling the registration takes effect or until such order is reversed in appeal by- the Minister cease to function

Cancellation of registration of Society

50. The registrar may by order in writing cancel the registration of any registered society
 - (a) Where it is a condition of the registration of the society that the society shall consist of at least numbers of members if the number of members of such society has been reduced to less than the least number or
 - (b) If a registered society has not commenced working during one year from the date of registration of such society or has ceased to work for a period of two years period the date of making the order of cancellation under this sections, after a special investigation done by a person who is appointed by the registrar or by his will power.

51.	where the registration of a society is cancelled by an order under Section 49 or under section 50 the society shall cease to exist as a corporate body from the date on which the order takes effect, here in after referred to as the date of dissolution. But the privileges which the society has can be submitted to a special person whom is appointed by the society & recognized by the registrar.	Effect of Cancellation of registration
52.	Where the registration of a society is cancelling under Section 49 or Section 50 the Registrar may appoint one or more persons to be the liquidator or liquidators of the society. All the property of the society shall vest in the liquidator or liquidators on the date on which the order of cancellation under Section 49 or Section 50 as the case may be takes effect.	Liquidation after cancellation of registration of Society
53. (1)	Liquidator appointed under Section 52 shall, subject to the guidance and control of the registrar and to any limitations imposed by the Registrar by order under Section 54, have Power to	Liquidators Power
	(a) determine from time to time the contributions to be made by the members and the past members or by the estates of deceased members of the society to its assets.	
	(b) Appoint a day by proclamation or notice before which creditors whose claims are not ready recorded in the books of the society, shall state their claims for admission or to be excluded from any distribution made before they have proved them;	
	(c) decide in accordance with the provisions of this stature any question of priority which arises between creditors;	
	(d) Refer for arbitration under section 58 any dispute of any description mentioned in that section (reference therein to the society being construed as references to the liquidator) and institute and defend suits and together legal proceedings on be of the society by his name office;	
	(e) decide by which persons and in what proportions the cost of liquidation are to be borne;	
	(f) give such direction in regard to the collection and distribution of assets as may be necessary in the course of winding of the society;	
	(g) compromise any claim try or against the society provided the sanction by of the registrar has first been obtained;	
	(h) call such general meetings of members as may be necessary, for the proper conduct of the liquidation;	
	(i) take possession of the books, documents and assets of the society;	
	(j) Sell the property of the society;	
	(k) at the time of the dissolution of the society the total collection of cash should be banked or kept under the supervision of the registrar.	

- (l) Arrange for the distribution of the assets of the society in a convenient manner when a scheme of distribution has been approved by the registrar.
- (m) Carry on the business of the society so far as may be necessary for winding it up beneficially; provided that nothing herein contained shall entitle the Liquidator of a credit society to issue any loan; and
- (2) Where there is any debt payable by any member or past member to a society whose registration is cancelled under Section 49 or Section 50 and such person is a member of any other society registered under this statute after the date of such cancellation, then the liquidator of such first mentioned society appointed under Section 52 shall, subject to the guidance and control of the Registrar and to any other limitation imposed by the Registrar by order under section 54. Have power to require that such other society shall recover, from any Sum of money due from such society to such person a sum not exceeding such debt in like manner as if it was a debt due from such member to such other society and transmit the same to the liquidator.
- (3) Subject to such rules as may be made in that behalf, any liquidator appointed under this Statute shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of parties and witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a District Court under the Civil procedure Code.

Power of
Registrar's to
control
Liquidations

- 54. (1) liquidator shall exercise his powers subject to the control and direction of the Registrar, who may-
 - (a) Rescind or vary any order made by a liquidator and make whatever new order is required;
 - (b) Remove a liquidator from office;
 - (c) Call for all books, documents and assets of the society
 - (d) By order in writing limit the powers of a liquidator under section 53
 - (e) Require accounts to be rendered to him by the liquidator at his discretion
 - (f) Procure the auditing of the liquidators accounts and authorize the distribution of the assets of the society
 - (g) Make order for the remuneration of the liquidator; or
 - (h) Refer for arbitration any dispute (not being a dispute as referable under Section 53 (I) (d)) between the liquidator and any third party, if such party consents in writing (to be bound by the decision of the arbitrator.
- (2) A fund to be created under the title of "SURPLUS FUND" & all the funds which are collected by the liquidator should be deposited to that account. This account should be maintained by the registrar under the rules & regulations.
- 55. (1) The decision of an arbitrator on any matter refer to him under Section 54 shall be binding upon the parties and shall be enforceable in like manner as an order made by the Registrar under that section.

- (2) An order made by a liquidator or by the registrar under section 53 or section 54 shall not be called in question in any civil code, and shall be enforced by any civil code having jurisdiction over the place where the registered office of the society is situated in like manner as a decree of the court.

Provided that any bank which is a credit or of a society whose registration has been cancelled shall be entitled to appeal to the minister from an order made by a liquidator or by the registrar under section 53 or section 54 within two months from the date of such order of the liquidator or the registrar.

- (3) Where no appeal is presented to the minister within two months of the making of an order by a liquidator or by the registrar under section 53 or section 54, such order of the liquidator or the registrar shall take effect on expiry of that period. Then an appeal is presented to the minister within the two months. The order of the liquidator or the registrar shall not take effect until it is confirm by the minister.

56. Save in so far as herein before expressly provided, no civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a registered society under this statute. Limitation of the Jurisdiction of the civil court

57. (1) In the liquidation of a society whose registration has been cancelled , the funds, including the reserve fund, shall subject to the provisions of the section 39 (2) be applied first to the costs of liquidation, then to the repayment of government loans and government guaranteed loans. Provincial council loans and provincial council guaranteed loans, then to the discharge of the other liabilities of the society, then to the payment of a dividend at a rate not exceeding six per centum per annum for any period for which no disposal of profits has made where such period is immediately preceding the date of dissolution. Closure of Liquidation

- (2) When the liquidation of a society has been closed and any creditor of that society has not claimed or received what is due to him under the scheme of distribution, notice of the closing of the liquidation shall be published in the GAZETTE; and the respect of any claim against the funds of such society, no action shall be maintainable unless it is commenced within the three months from the date of the publication of such notice in the GAZETTE.

- (3) Any surplus remaining after the application of the funds to the purposes specified in Subsection (1) and the payment of any claims for which an action is instituted under sub-section(2), may be applied to such subject of local or public utility as may be selected, subject to the approval of the Registrar, by the persons who were officers of the society at the date of the dissolution thereof.

If such persons fail within three months after the date on which the liquidation of the society is closed to select as aforesaid an object approved by the registrar, the registrar shall deposit the surplus in a bank or with a registered society.

The surplus so deposited may be paid in to such surplus fund as may be constituted for the purposes of this statute. Disbursement out of such surplus fund may be made at the discretion of the registrar for such purposes and in such manner as per the instructions given by the secretary of the respective Ministry which is an approved estimate or maybe provided in the rules;

Provided, however, that any interest accruing on the surplus may he paid into the co-operative Fund.

CHAPTER XI

Disputes

Settlement of
Disputes

58. (1) if any dispute touching the business of a registered society arises.
- (a) among member, past members and persons claiming through members, past member and deceased members, or among officers or the society, whether past or present, or among heirs or legal representatives of deceased officers or employees: or
 - (b) between a member, past member or person claiming through a member, past member or deceased member, and the society, its committee or any officer or employee of the society, whether past or present, or any heir or legal representative or any deceased officer or employee : or
 - (c) between the society or its committee and any officer or employee of the society, whether past or present, or any heir or legal representative of any deceased officer or employee: or
 - (d) Between the society or its committee; and
 - (i) Any person who was a member or an officer or employee of any other society whose business or part thereof was transferred to the society; to
 - (ii) Any person who claims through any member or past member or deceased. Member or the society referred to in Sub-paragraph (1)
 - (iii) Any person who is the heir or legal representative of any officer or employee of the society referred to in Sub-paragraph (1) ; or
 - (e) Between the society and any other registered society. Such disputes shall be referred to the Registrar for decision.
 - (f) A claim by a registered society for any debt, demand or damages due to it from a member, officer or employee, whether past or present, or any nominee, heir or legal representative of a deceased member, officer employee, whether such debt, demand or damages he admitted or not, shall be deemed to be a dispute touching the business of the society within the meaning of this subsection.
- (2) The Registrar may, on receipt of a reference under Sub- section (I)
- (a) Decide the dispute himself, or
 - (b) Refer it for dispose to an arbitrator or arbitrators.
- (3) Any party aggrieved by the award, of the arbitrator or arbitrators may appeal there from to the Registrar within such period and in such manner as may be prescribed by rules. The re appealing procedure should be done within 30 days of judgment (except weekends and public holidays) If the re appealing procedure is done by a

party which the decision was given against (accused) a payment of 500/= or 10% from the said value should be deposited, If the re appealing procedure is done by a party who is requesting an amount a payment of 500/= or 10% from the said value should be deposited. The greater value of the above said values should be deposited. If the request amount is greater than 25000/= at least a deposit amount of 25000/= should be deposited,

- (4) No party to any appeal made to the Registrar under Sub-section (3) shall be entitled either by himself or by any representative, to appear before and be heard by the Registrar on such appeal
 - (5) A decision of the Registrar under Sub-section (2) or in appeal under Sub-section (3) shall be final and shall not be called in question in any Civil Court.
 - (6) The award of the arbitrator or arbitrators under Sub-section (2) shall, if no appeal is preferred to the Registrar under Sub-section (3) or if any such appeal is abandoned or withdrawn, be final and shall not be called in question in any Civil Court.
 - (7) The provisions of the Prescription Ordinance shall not apply to any claim which is the subject of a dispute under this section.
 - (8) If any question arises whether a dispute referred to the Registrar under this section is a dispute touching the business of a registered society, the decision thereon of the Registrar shall be final and shall not be called in question in any Civil Court.
 - (9) In this section "member" includes associate member.
59. (1) Where a decision of the Registrar on a dispute or an appeal referred to him under Section 58, hereafter in this section called "decision" or an award of an arbitrator on a dispute referred to him under that section, from which award no appeal has been duly made to the Registrar under that section, hereafter in this section called an "award" is that a sum of money is due from any party to the dispute to another party to the dispute, and such sum together with costs and interest, if any, has not been paid, the Registrar may in respect of the party from whom such sum is due, hereafter in this section called the "defaulter"-
- Enforcement of
On Award
- (a) issue a certificate to a District Court having jurisdiction in any district where the defaulter resides or in which any property movable or immovable owned by the defaulter is situated containing particulars of the sum due together with costs and interest, if any, and the name of the defaulter : or
 - (b) issue a Certificate containing particulars of the amount due together with cost and interest and the name and last known place of business or residence of the defaulter to a Magistrate having jurisdiction in the division in which such place is situated.
- (2) Where a certificate is issued to a District Court under paragraph (b), of Sub-section (1), the Court shall thereupon direct a writ of execution to issue to the Fiscal authorizing and requiring him to seize and sell all or any of the property movable and immovable of the defaulter, or such part thereof as he may deem necessary for the recovery of such sum, and the provisions of Sections 226 to 297 of the Civil Procedure Code shall *mutatis mutandis*, apply to such seizure and sale and

- (3) Where a certificate is issued to a Magistrate under Paragraph (c) of Sub-section (1), the Magistrate shall thereupon summon such defaulter before him to show cause why further proceedings for the recovery of the amount should not be taken against him, and in default of sufficient cause being shown, the Amount shall be deemed to be a fine imposed by a sentence of the Magistrate on such defaulter for an offence punishable with fine only or not punishable with imprisonment, and the provisions of Section 291 (except Paragraphs (a) and (d) of Sub-section (1) of that section) of the Code of Criminal Procedure Act, No. 15 of 1979 shall there upon apply, and the Magistrate may make any direction which, by the provisions of that section, he could have made at the time of imposing such sentence.
- (4) Where the Registrar issues a certificate under this section, he shall issue to the defaulter a notification thereof by personal service, registered post or telegraph; but non-receipt of such notification by the defaulter shall not invalidate proceedings under this section.
- (5) Nothing in this section shall authorise or require a District Court or Magistrate in any proceedings there under to consider, examine or decide the correctness of any statement in the certificate of the Registrar.
- (6) (a) Sub-section (2) Any sum realized by a sale, under Sub-section (3) and any sum paid or levied as fine, shall be transmitted by the District Court or the Magistrate, as the case may be, to the Registrar who shall dispose of such sum in accordance with the relevant decision or award.
- (b) Until the interest amounts of the funds to be invested in a suitable business the amount is kept under the supervision of the secretary of the respective Ministry.
- (c) Investing the interest funds for the investments is fully controlled by the Minister of the respective Ministry. Also it is fully authorized by the secretary to the said Ministry.

Registrar to
decide certain
other matters

60. (1) Where the application for a membership of a registered society made by any person is refused by the society, such person may appeal to the Registrar against the refusal and the decision of the Registrar on such appeal shall be final and binding on the society.
- (2) Where any question arises as to whether a member of a registered society has been duly elected to any office in the society or whether a member has ceased to be a member or officer of the society, or whether any general meeting of the society had been validly held, that question shall be decided by the Registrar whose decision shall be final.

CHAPTER XII

RULES

61. (1) The Minister of Co-operative for Central Province may make all such rules as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Statute.
- (2) In particular, and without prejudice to the generality of the powers conferred by Sub-section (1), such rules may

- (a) Prescribe the conditions to be complied with in applying for the registration of a society and the procedure in the matter of such applications;
- (b) Prescribe the conditions to be complied with any persons applying for admission or admitted as members, and provide for the election and admission of members, from time to time and the payment to be made and interest to be acquired before exercising rights of membership;
- (c) Provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled, and for the liabilities of past members;
- (d) Prescribe the extent to which the registered society may limit the number of its members;
- (e) Provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;
- (f) subject to the provisions of Section (2). Prescribe the maximum number of shares or portion of the capital of a registered society which may be held by a member;
- (g) Prescribe the payments to be made, the conditions to be complied with, and the forms of the bonds, instruments or other documents to be executed, by members, applying for loans or cash credits, the period for which loans may be made or credits granted, and the maximum amount which may be lent and the maximum credit which may be allowed to individual members ,
- (h) Prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability, and the maximum rate of dividend which may be paid by societies;
- (i) regulate the manners in which funds may be raised by means of shares or debentures or otherwise and the rate of interest which may be paid on deposits;
- (j) Provide for general meetings or the members, and for the procedure at such meetings and the powers to be exercised by such meetings;
- (k) To prescribe the disqualifications of a member of a registered society from being elected as a member of the committee of management or of a regional or branch committee;
- (l) Provide for the appointment, suspension, and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers,
- (m) Prescribe the matters in respect of which a society may or shall make by laws, and for the procedure to be followed in making, altering and rescinding the by - laws under conditions to be satisfied prior to such meeting alteration, or rescission;

- (n) Prescribe the accounts and books to be kept by a registered society, and for the periodical publication of a balance sheet showing, the assets and liabilities of a registered society;
 - (o) provide for the audit of the accounts of registered societies, and for the charges, If any, to be made for such audit and provide for the levy of contributions from all or any registered societies to a fund to be known as the Co-operative Fund, of the central province provincial Council, to be used for the audit and supervision of and assistance to the existing societies and Co-operative propaganda, for Co-operative education and training, and provide for the administration of that Fund :
 - (p) Prescribe the returns to be submitted by registered societies to the Registrar, and the persons by whom and the form in which the same are to be made.
 - (q) Provide for the persons by whom, and the form in which copies of entries in books of registered societies may be certified;
 - (r) Provide for the formation and maintenance of a register of members and, whose the liability of the members is limited by shares of a register of shares.
 - (s) Provide for the formation and the maintenance of reserve funds and the objects to which such funds May be applied, and for the Investment of any funds under the control of any registered society;
 - (t) Prescribe the manner in which any question as to the breach of any by-laws or contract relating to the disposal of produce to or through a society may be determined, and the manner in which the liquidated damages for any such breach may be ascertained assessed
 - (u) Prescribe the mode of appointing an arbitrator or arbitrators, and the procedure to be followed in proceedings before Registrar or such arbitrator or arbitrators and the enforcement of the decisions of the Registrar or the awards of arbitrators
 - (v) Prescribe the conditions to be observed by a registered society applying for the financial assistance of Government;
 - (w) Determine the cases, not expressly provided for in this Statute, in which an appeal shall lie in the Minister of the Central Province Provincial council against orders made by the Registrar,
 - (x) Prescribe the procedure to be followed by a liquidator appointed under Section 52, and time cases in which appeals shall lie from the orders of such liquidator;
 - (y) Provide for the establishment and maintenance of the Surplus Fund referred to in Section 57 and prescribes the manner and purposes for which the moneys of such Fund may be disbursed,
 - (z) Under the section 59, registrar can handle the fines which were issued by the courts and the under the supervision of the secretary of the respective ministry.
- (Aa) the cooperative development fund which was established under the section 42 (A) should be controlled with the rules and regulations under the supervision of the secretary of the respective ministry and should be handled by the registrar

(Ab) Prescribe the forms to be used, the fees to be paid, the procedure to be observed, and all other matters connected with or incidental to the presentation, hearing and disposal of appeals under this Statute or the rules made thereunder.

(Ac) in the term of conclusion of a registered society creditors should forward their ownership details and the repayment period should be finalized.

(Ad) the areas amounts which were not paid by the creditors should be collected and deposited, the expenses also should be collected from the above said creditors under the section 43(4)

(Ae) for the cooperative banks and financial institutes, the rules and regulations should be amended under the section 63.

(3) (a) No rules shall have effect unless it has been approved by the Provincial Council of the Central Province Nonfiction of such approval shall be published in the Gazette.

(b) Every rule shall, upon the publication in the Gazette of the Notification referred in Sub-section (3), be as valid and effectual as though it were herein enacted.

(c) If there any rules or regulations which were not approved by the provincial council from the date of approval it can be commented, the date of the commencement should be GAZETTED

After gazetting the above the regulation is valid and powered under the sub-section 3

CHAPTER XIII

Debts Due to the Government and Provincial Council

62. (1) all sums due from a registered society or from an officer or member or past member of a registered society as such, to the Government, including sums due on Government loans and Government guaranteed loans. Provincial Council loans and, provincial Council Guaranteed loans and any costs awarded to the Government under Section 46 may be recovered in a manner provided for the recovery of debts due to the Republic by the Crown Debtors Ordinance, and shall, subject to the provisions of Section 40 (2), be entitled to a preference of payment over sums due to any other person or persons.
- (2) Sums due from a registered society to Government and recoverable under Sub-section (1) may be recovered, first from the property of the society; secondly in the case of registered society of which the liability of the members is limited, from the members, subject to the limit of their liability; and thirdly, in the case of other societies from the members.

Recovery of Sums
Due to
Government

CHAPTER XIV

Regulatory of cooperative bank and finance sector

63. (1) Notwithstanding anything contained in this Statute the Minister may by special order in each case, and subject to such conditions as he may impose, exempt any society from any of the requirements of this Statute as to registration.

Special Power of
Minister to
exempt any
Society from
requirements as to
registration

- (2) (A) there should be committee with seven members under the above section (1)
 - (I) commissioner for cooperative development and registrar should be the president of the committee
 - (II) Includes a Chartered accountant
 - (III) Specialized in a Banking Sector
 - (IV) Assistant commissioner of the cooperative department
 - (V) Three members representing from cooperative banking and financial sector
- (B) (I) in the event of a committee meeting the number of members should be greater than four.
- (II) In case of death of a member or in case of resignation a new recruitment should be done by the minister.
- (III) Any member of the committee could be removed any time after issuing the letter by the subjected ministry.
- (3) Responsibilities of the regulatory committee;
 - (a) Having a proper control on financial matters in the cooperative banks in the central province
 - (b) Confirming and developing of the financial strength
 - (c) The security of the deposits
 - (d) Human resource management of the cooperative banks
 - (e) Managing the banks according to the government rules and regulations / auditing / advising and regulation with the supervision of the minister to the commission of the cooperative and the registrar.
- (4) Collected membership fees, monthly of yearly should be deposited in a fund where the register orders and the account should be maintained in a provincial bank, when spending the amounts it should be approved from the secretary to the subjected ministry and supervised by the registrar
- (5) A payment could be arranged under the approval from the secretary of the subjected ministry for the regulatory committee members.

CHAPTER XV

Miscellaneous

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|---------|--|---|
| 64. | The Minister may by general or special order exempt any registered society or class of society from any of the provisions of this Statute or may direct that such provisions shall apply to any society or class of societies with effect from such date or with such modifications as may be specified in the order. | Special Power of Minister to exempt Societies from provisions of this statute |
| 65. | A society could be released by a special order by the cooperative minister by the central province under proper rules and regulations. | Registration of use of word “Co-operative” |
| 66. (1) | Where in the course of an audit under Section 44 or an inquiry under Section 46, or inspection of books and investigation of affairs of a society under section 47, or in the course of the liquidation of a registered society, it appears that any sum of money or other property is due to the society from any person or group of persons who or which has taken part in the organization or management of the society or from any past or present officer or employee of the society. Who has utilized the funds of the society contrary to the provisions of this Statute or any other law or rules or regulations made there under or the by-laws or the working rules of the society or financial procedure approved by the Registrar or any general directions issued by the Registrar or the Co-operative Employees Commission the Registrar may of his own motion or upon the application of the committee or any creditor or contributor of the | Register may order repayment or restoration of money or other property due to a society |
| | Societies, as the case may be, examine the conduct of such person group of persons or employee and make an order requiring him or such group | |
| | a) to repay with such interest as the Register thinks fit such money or part thereof; | |
| | b) to restore such other property or part thereof ; or | |
| | c) to contribute such sum as the Register fit to the assets of the society by way of compensation. Before making any such order against any person or group of persons the Registrar shall give that person or group of persons an opportunity of being heard and of showing cause such order should not be made. | |
| (2) | Where an order under Subsection (1) for the repayment of any sum to a registered society, or for the contribution of any sum to its assets by way of compensation, has not been completed with, such sum may be recovered by the Registrar on application to the Magistrate having jurisdiction in the division in which the registered place of business of the society is situated or in which the person or group of persons or officer or employee against whom the order was made resides or carries on business as though it were a fine imposed by a sentence of the Magistrate, on such person or group of persons or officer or employee for an offence punishable with fine only or not punishable with imprisonment, and the provisions of section 291 (except Paragraphs) (a) and (d) of sub section (1) of that section) of the Code of Criminal Procedure Act, No. 15 of 1979 shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that section he could have made at the time of imposing such sentence. Nothing in this section shall authorize or require the Magistrate in any proceedings thereunder to consider, examine or decide the correctness at any order made by the Registrar. | |

	(3)	In case of collecting amounts under above section 2 the amounts should be sent to commissioner for cooperative developments and registrar, the register should send the collected amounts to the respective cooperative societies.
	(4)	Neither the preceding provisions of this section nor the making of any order thereunder may be deemed or construed to preclude or otherwise effect the institution or maintenance of a prosecution against any person or group of person, or officer or employee referred to in Sub-section (1) in respect of any offence under any other written law.
Nomination of Members	67. (1)	Where the Registrar is of opinion that it is necessary or expedient to do so for the purpose of ensuring efficient management of the affairs of registered society or for purpose of safeguarding any investments or advances in money or goods made to such registered society by the Government or any State Bank or State Co-operation, he may, notwithstanding anything to the contrary in this statute or any other law or in the by - laws of such registered society nominate such number of persons to be member of the committee of such registered society as are in his opinion necessary or expedient for such purpose;
	(2)	(1) Provided that the number of such nominated members shall be less one half of the total number of member of such Committee.
	(3)	(1) under the above section 1, five committee members could be appointed at least two members should be officers from department of cooperative developments. In case of a committee meeting members shall be less one half of the total number of member of such Committee.
Liability of Officers etc. for breach of trust	68. (1)	an asset and liability report of the registered society should be sent to the commissioner for cooperative development in every financial year before the 31 st of March,
	(a)	Full detail of his asset and liability report
	(b)	Full details of the wife/ husband asset and liability report
	(c)	Asset and liability report of his children
	(2)	The reports under the section 1 should be provided within the period of three month of the appointment and the report after the first report could be handed over before first of July of each year.
	(3)	If the report was not handed over, the appointment could be removed due to the non-handing over of the report
Project fund rules and regulations	69.	Notwithstanding anything in any other written law, the Registrar may, where he considers it necessary to do so, require any bank
	a)	to furnish any information regarding the transactions of any registered society with the bank
	b)	to produce a copy showing the amount of the society with the bank from the ledger kept by the bank or

c) to produce any cheques paid to the credit of the society or endorsed by the society.

70. It shall be lawful for the Registrar after accounts of a registered society have been audited as provided in section 44 or after an inquiry under section 46 or an inspection of books and investigation if affairs of a registered society has been held under section 47, to require any person, being a person who is or has at any time been entrusted with or being a person having, or at any time having had the dominion of, any money, or any goods or property, in his capacity as an officer or a member or a servant of the society, to pay over or produce such amount of money or balance thereof or pay the value of such goods or property which is shown in the books of accounts or statements kept or signed by such persons as held by or due from him as such officer, member or servant ; and if such person upon being so required, fails to pay over or produce such amount of money of balance thereof forthwith or the value of such goods or property or to duly account thereof, he shall be guilty of the offence of criminal breach of trust and shall on conviction after summary trial before a Magistrate be liable to imprisonment of either description for a term not exceeding the years and shall also be liable to a fine, notwithstanding that such punishment exceeds the ordinary jurisdiction of a Magistrate.
- Responsibility of the officers for Breach of trust
71. Notwithstanding anything in any other written law, the Registrar may, where he considers it necessary to do so, require any bank
- Ordering details from the banks by the registrar
- (a) To furnish any information regarding the transactions of any registered society with the bank.
- (b) To produce a copy showing the amount of the society with the bank from the ledger kept by the bank or to produce any cheques paid to the credit of the society or endorsed by the society.

CHAPTER XVI

Remove and interim provisions

72. (1) Every society registered or deemed to be registered under Co – operative Societies Law, No.05 of 1972, shall be deemed to be registered under this Status and the by – laws of such society shall, so far as they are not inconsistent with the express provision of this status, continue in force until altered or rescinded.
- Remove and interim provision and ongoing societies
- (2) All rules made under Co – operative Societies Law, No. 05 of 1972, and in force at the time of the commencement of this statute shall, in so far as they are not inconsistent with the provisions of this statute, be deemed to have been made this statute and shall continue in force until new rules are made under Section 61 in substitution for those rules.
- (3) All appointment and orders made, notification and notices issued, awards made by arbitrators and decisions made by the Registrar, Co – operative Societies appointed under Section 2, and suits and other proceedings instituted or deemed to have been made, issued or instituted and all disputes that have arisen under Co – operative Societies Law, No. 05 of 1972, shall be deemed to have been respectively made, issued and instituted and to have arisen under this statute.

Assets relating to deposits insured under monetary law act not to be utilized except for meeting liabilities	73.	Where any registered society carrying on banking business of any kind has insured under Part II of Chapter V B of the Monetary Law Act, the assets relating to the deposits insured that Part, shall notwithstanding anything in any other provisions of this statute not be utilized for any purpose other than to meet the liabilities relating to such deposits.
Penalty for non-compliance with this statute	74.	If an investigation being made agenzized a registered society under the section 1975 No. 15 of the Criminal cases under section XVII the registrar or a person who is under registrar's authority should be done.
Penalty for non-compliance with rules and regulations	75. (1)	Every registered society or an officer or employee or member there of which or who willfully neglects or refuses to do any act or to furnish any information required for the purpose of this statute by the Registrar or other person duly authorized by him in that behalf, and every person who willfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this statute, or fails to furnish any information lawfully required from him by a person authorized to do so under the provisions of this statute, and every registered society or officer or employee or member there of which or who willfully makes a false return or furnishes false information, shall be guilty of an offence under this statute.
	(2)	Every person who commits any offence referred to in Sub – section (1) shall on conviction after summary trial before a Magistrate, be liable to imprisonment of either description for a period not exceeding two years or a fine not exceeding twenty five thousand rupees (25,000/=), or to both such imprisonment and fine, notwithstanding that such punishment exceeds the ordinary jurisdiction of a Magistrate.
	(3)	Where any offence under this statue is committed by a registered society, every officer of the society bound by the by – laws or the rules to perform any duty there of the offence is a breach, or if there is no such officer, then every member of the Committee, unless that member is proved to have been ignorant of or to have attempted to prevent the commission of the offence, shall be liable to the same penalty as if he had committed the offence.
The Protection of the registrar and the powered body of the registrar	76.	The Minister may, by order published in the Gazette, exempt from the succeeding Provisions of this statute. <ul style="list-style-type: none"> a) Any such class of co – operative societies as shall be specified therein ; or b) Any such co – operative society as shall be so specified. <p>And accordingly the expression “ Co – operative society ” where ver it occurs in such provisions,shall be read and construed to mean a co – operative society in respect of which any such order is not for the time being in force.</p>
Regulations for using the word co-operative	77 (1)	No persons other than a registered society shall, Without the sanction of the Minister trade or carry on business under any name or title of which the word “Co-operative”, or in Sinhala the words “Eksath Sahakara”(එක්සත් සහකාර) or “Samupakara” (සමුපකාර) or in Tamil the word “Aikkiya” (ஐக்கிய) or “Kutturavu” (கூட்டுறவு) from part: Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business prior to the twenty-second day of September. 1921.

- (2) Whoever contravenes the provisions of this section shall be liable on conviction after summary trial by a Magistrate Court to a fine which may extend to twenty five thousand rupees (25,000/=), and in the case of a continuing offence, which a further fine of thousand rupees (1,000/=) for each day on which the offence is continued after conviction there for.
78. Company Acts and Trade union Acts are not according to a registered society. Company Acts and Trade union Acts are not according to a registered society
79. After the approval of the governor of the central province and the date of the validation of the said convention, the 1990/10 of central province convention and 1993/04 central province convention will be cancelled. Cancellation of convention act no 1990/10 of Co-operative societies central province
80. If this convention differs between the languages Sinhala / Tamil / English, the Sinhala convention will be validated
81. “By-laws” means the registered by-laws for the time being in force and includes a registered amendment of the by-laws. Definition
- “Committee” Means the governing body of a registered society to whom the management of its affairs is extracted and includes the board of directors of a registered society and persons appointed by the registrar under Sections 48.
- “Officer” includes every person who is the President, Chairman, Vice Chairman, Secretary, treasurer or Manager of a society or any other branch there of or a member of a committee of a society and any other person who is duly empowered to give directions in regard to the affairs of the society.
- In this statute unless the context otherwise requires “Bank” means
- (a) any person or body of persons corporate or incorporate which carries on in Sri Lanka the business of accepting from the Public or creating, demand deposits.
- (b) any agency or institution acting on behalf of the Government (whether established any written law or otherwise) which make loans, advances or investments or accepts deposits of money from the public:
- (c) The Development Finance Corporation under the Development Finance Corporation of Ceylon Act” and.
- (d) Any other person or body of persons declared by the Minister in charge “Primary Society” means are registered society not being a society established with any object or for any purpose referred” to in paragraph (b),(c) of Section 3 (1).
- “Registered Society” means a society registered or deemed to be registered under this statute.
- “Registrar” means the person appointed to perform the duties of the registrar of co-operative societies of the Central Province Provincial Council under this statute.
- “Rules” means rules made r deemed to have been under this statute “Minister” means the Minister of the Central Province Provincial Council in-charge of Co-operative development and other affairs connected with the same.