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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART IV (A) - PROVINCIAL COUNCILS

Provincial Councils Notifications

UVA PROVINCE PROVINCIAL COUNCIL

Statute of "Provincial Co-operative Societies of Uva Province" of No. 03 of 2011 of the Uva Province Provincial Council

THE above statute having approved by the Democratic Socialist Republic of Sri Lanka on the 24th March 2011, has been approved by the Hon. Governor of the Uva Province on the date 28th of April, 2011 and which is hereby published for the notification of the public.

K. D. SIRISENA,
Secretary to the Council,
Uva Province Provincial Council.

Council Secretariat,
Uva Province Provincial Council,
King Street,
Badulla.
26th of April, 2011,

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - UVA PROVINCE PROVINCIAL COUNCIL

CO-OPERATIVE SOCIETIES STATUTE NO. 3 OF 2011 OF UVA PROVINCE PROVINCIAL COUNCIL

This statute is set to enhance, social and economical status of the community of Uva Province by establishing new societies in the field of Co-operative and by monitoring, operating and providing advises to run the Co-operative societies productively and efficiently and deeming provisions to perform the constitutional matters related to Co-operative field in the Uva Province and to provide matters connected therewith and incidental thereto. This statute is inconsistent with the Co-operative Societies Act, No. 5, of 1972.

As the Uva Province Provincial Council of Democratic Socialist Republic of Sri Lanka binding upon, to enhance the social and economical status of the People of Uva province by maintaining efficient, trustful, productive and excellent co-operative movement in the Uva province, be it enacted by the Uva Province Provincial Council of Democratic Socialist Republic of Sri Lanka.

Preamble.

1. This statute is known as the Co-operative Societies Statute No. 3 of 2011 of Uva Province Provincial Council, and shall come into operation on the date approved by the Governor of the Uva Province, hereinafter known as the "Governor", or on the date of receiving assent of the Governor.

Short title and
date of
operation.

Objectives.

2. This statute provides related juridical provisions to accomplish the below mentioned common goals such as organizing, administrating and developing the Co-operative sector.

- (a) Making provincial policies for the Co-operative sector, planning and law administration.
- (b) Providing legal identity to the co-operative institutions, unions and organizations.
- (c) Ensuring the privileges, responsibilities and rights of the members of the Co-operative institutions.
- (d) Developing, strengthening and regulating the Co-operative institutions.
- (e) Popularizing and promoting the method of Co-operative entrepreneurship.
- (f) Operating the training and the education activities and disperse the related knowledge of the co-operative movement.

CHAPTER I

CO-OPERATIVE DEVELOPMENT COMMISSIONER AND REGISTRAR AND HIS DUTIES

Co-operative Development Commissioner and Registrar of Co-operative Societies.

3. A Co-operative Development commissioner and Registrar of Co-operative Societies shall be appointed, (hereinafter known as Commissioner or Registrar) to be able to work as the authority to enforce the provisions of this statute.

Duties of the Registrar

4. The duties of the Registrar should be as follows :-

- (a) Registration of the Co-operative institutions and other constitutional matters shall be accomplished.
- (b) Providing necessary capital facilities to the Co-operative institutions and financial managements.
- (c) Being a Mediator when allocating funds for the Co-operative Societies.
- (d) Educational Programs, Training Programs and implementing programs to provides relevant knowledge.
- (e) Providing management advisory services and exercising experiments related to the Co-operative movement.
- (f) Being as a Co-ordinator in between the International and National Co-operative organizations.
- (g) Resolving disputes in and related to the Co-operative movement and taking decisive action.
- (h) Executing the decision and determination by the magistrate, Filing cases in the courts and assigning tasks associated to the court.
- (i) Inspecting general and special activities of the Co-operative Societies and providing advises.
- (j) Dissolving inactive societies and liquidating activities.
- (k) Making provisions to audit the Co-operative Societies.
- (l) Co-ordinating the entrepreneurs of State and private to work together with Co-operative Societies.
- (m) Amalgamation, division and assigning assets and liabilities of Co-operative institutes.
- (n) Administration of Co-operative employees.
- (o) Every other exercise and things which incidental or not to above duties shall be done to be achieved the goals of this statute.

Co-operative Development Department

5. (1) Existence of an Institute known as Department of Uva Provincial Co-operative Development (hereinafter known as "Department") to achieve the goals of this statute, is lawful.

(2) The Co-operative development commissioner and Registrar of Co-operative societies shall be the chief of the Co-operative Development Department.

(3) There may be appointed a number of Deputies, Senior Assistant or a number of Assistant Registrars, and officers as may be necessary. However three departmental officers may be appointed for the provincial department and both districts Badulla and Monaragala as Assistant Registrars or Assistant Co-operative Development Commissioners.

(4) The Co-operative Development Commissioner and Registrar of Co-operative Societies shall be a class one officer of the Sri Lanka Administrative service.

(5) (a) The Registrar shall be able to assign the rule of this statute or under any rule made to be deemed or the whole power or part of the power of it, to a Deputy Registrar or Senior Assistant Registrar or Assistant Registrar by a written document.

(b) Any power delegated under the above section (5) (a) shall be able to enforced them by the said authorized Deputy Registrar or Senior Assistant Registrar or Assistant Registrar.

CHAPTER II

REGISTRATION OF CO-OPERATIVE SOCIETIES AND UNIONS

6. (1) Subject to the provisions hereinafter mentioned Co-operative societies and unions below, may be registered :-

Societies and
Unions which
may be registered

- (a) A society which has as its object the promotion of its member's economic, social, cultural, educational and interest of spiritual well-beings in accordance with the principles and policies of recognized international co-operative alliance which has a respected goal in accordance ;
- (b) A union established which consisted societies with registered respective members with the objective of facilitating the operation of societies referred to in paragraph (a) in this sub section.
- (c) Having the goal of providing co-operative education, training and managerial services, advisory services and other services for the promotion of co-operative movement of Uva province, the district co-operative boards which hold the membership of preliminary co-operative societies and district co-operative unions, and the provincial co-operative boards which consisted district co-operative boards and provincial co-operative unions.
- (d) Unions or boards consist unions registered for conducting businesses which establish to be achieved the goal mentioned paragraph (a) in this subsection.

(2) The societies which come under paragraph (a) in sub section (1) shall be registered under limited or unlimited liability and Union mentioned in paragraphs (b) (c) and (d) shall be registered under only limited liability and a society comes under paragraph (a) shall be registered as a society and paragraph (b), (c) and (d) are shall be identified as union or board.

(3) Where the liabilities of the members of a society is limited, no member other than a registered society shall hold more than such portion of the share capital of the society, subject to a maximum one-fifth, as may be prescribed by the rules.

Conditions of
Registration
Application for
registration and
documents to be
submitted be
submitted.

7. (1) For the purpose of registration an application shall be made to the Registrar by a society or a union according to the prescribed registered rule.

(2) The applications ;

- (a) A society only the persons are consisted, twenty persons shall be signed, each of them above the age of eighteen years and who dwell in the applied area or possessed immovable property or employed. This age limit never affects the Co-operative societies established in schools.
- (b) In the case of Union which consisted with the member of registered societies, five members who obtained duly power for the all the registered societies as such, shall be signed.
- (c) In the case of a union, consisted registered societies and unions, ten including at least five persons obtained duly power from the societies and unions, and person members shall be signed.

(3) With the application ;

- (a) The application shall be accompanied by two copies of proposed reports of general meeting with, which the registration of society or union certified by the president and secretary and details of the attendance and copies of the general meeting which seconded by the by-laws of the society.
- (b) Two copies of the by-laws of the society or the union with a report or a recommendation from a person or an institute that Registrar prescribed, that the proposed by laws are not contrary to this statute or made under this statute or the rule deemed to be,
- (c) Relevant apt Report for the society or union to be occupied in the proposed further activities.
- (d) An assuring certificate signed by the committee of the society or the union as that members are paying subscription and the money is in the committee's possession.
- (e) A document what consists age, gender, address, occupation and the number of shares owned each member that who signed the application.
- (f) A name list of office bearers which selected by the votes of the members.
- (g) A report of a person that who recognized by the Registrar about the feasibility and viability of the business of society or union.
- (h) A certificate what signed by the chairman and secretary that there are at the very least two members are between eighteen and thirty five of age among the members of the committee and they are included proposed by-laws.

- (i) A certificate signed by the chairman and secretary saying that ten percent of the capital need what mentioned in feasibility report to run the business of the society or union had been paid by the members as shares or deposits.

(4) The Registrar shall be taken decision and that should be the final if any problem raised on any person's age, resident, occupation, asset or any other criterion for the activities of this section.

8. (1) If the Registrar is satisfied that a society or union have complied with the provisions of this law and rules, that the activities in which the society or union proposes to engage is economically feasible, and that its proposed by-laws are concurrence to the rules of statute and the Registrar may be satisfied as that matters mentioned in Sub section 7(3) (h) consisted in the proposed by-laws, shall be registered such Co-operative societies or Union as a Co-operative society or union and the by laws also shall be registered.

Registration and
Renewal of
Registration of
societies and
unions.

- (2) (a) The word "Seemasahitha" shall be the first word in, or the word which has equivalent meaning of that word in Tamil or English shall form part of, the name of every society and union with limited liability registered under this statute.

- (b) The word "Seemarahitha" shall be the first word in, or the word which has equivalent meaning of that word in Tamil or English shall form part of, the name of every society and union with unlimited liability registered under this statute.

(3) Every registered society or union should be obtained a membership of the District co-operative board within six months from the date registered.

(4) If the Registrar rejected any registration of a society or a union, an appeal may be made to the minister against rejection in accordance with such rules as may be made in this statute.

- (5) (a) If the Registrar considered that registration of any society, union or board shall be renewed, the Registrar shall be able to give orders as such. Appropriate rules shall be formed in accordance.

- (b) If any society, union or board violated the such order of renewing the registration, the registration of the society, union or board shall be cancelled by the Registrar.

9. (1) The below mentioned substances shall be consisted in the by-law of the society or union :

To be consisted
in the By-laws.

- (a) Name, address and domain of the society or union.
- (b) The objective and the goal of the society to be achieved the common necessity of the members.
- (c) Necessary qualifications for the membership and the associated membership and procedure to be obtained the membership and the associated membership.
- (d) Rights and liability of the members and the conditions to be a member.
- (e) Including the details of withdrawing the membership, consigning, and procedure of liquidating the membership, no transaction consecutively for two years with the society or union and non-owning the membership on failing to give contribution in activities.

- (f) Casting votes in the nominations or contesting with initial contribution which shall be done annually to promote each member's rights, determining the minimum performance necessity in service of participation of the meeting and meetings.
- (g) The process of calling for meetings, necessity of quorum, notification concerning meetings, duties of committees and office bearers.
- (h) Share value, share dividend, necessity of capital in the society, collecting funds, collecting deposits, debt transactions and levied again etc.
- (i) Accounts and auditing preparing for auditing, selecting auditors committee by the General meeting, financial year etc.
- (j) Duties and composition of committees, auditing committees' and other sub committees'.
- (k) Excessive or profitable activities and make up various funds etc.
- (l) Procedure of acquiring and casting assets, instruments and other properties.
- (m) Guardianship for books and documents.
- (n) Employees and their duty and binding with.
- (o) Solving disputes.
- (p) Procedure of amendment of by-laws.
- (q) Service limit enacted for non members.
- (r) Provision for subordinate and adjacent activities etc.
- (s) Procedure of dissolving the society or union.
- (t) Other incidental matters for the necessities and activities of the society or the union.
- (u) Selecting committee members for the society or the union and provision of terminating and revocation.

Registration
witness.

10. (1) Unless it is proved that registration certificate which signed by the Registrar of society or union has been cancelled, the society or union shall be decisive evidence as duly registered.

(2) When registered a society or union, a certificate of registration shall be issued by the Registrar in accordance to the prescribed rule.

Amendment of
the by-laws in
societies or
union.

11. (1) Any registered society or union may, subject to this Statute and rules made there under, amend its by-laws, including the by-laws which declares the name of the society or the union.

(2) No amendments of the by-laws of a registered society or union 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.

(3) No amendment shall be registered unless a report of the paragraph (b) in Sub-section (3) of section 7 shall be submitted, when a by-laws of a society or union.

(4) If the Registrar is satisfied that any amendments of the by-law are not contrary to this rules of this statute, 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.

(5) An amendment which changes the name of a society or union shall not affect any right or obligation of the society or union or of any of its members or past members, and any legal proceedings pending may be continued by or against the society or union under its new name.

(6) Where the Registrar registers an amendment of the by-laws of a registered society or union, he shall issue to the society or union a copy of the amendment certified by him, which shall be conclusive evidence of the fact that the amendment has been duly registered.

(7) In this section “Amendment” includes the making of a new by-law and the variation or rescission of a by-law.

12. (1) After registering the by-laws by all By-laws of registered society or union and if each of the members of the society or union signed the by-laws and each members given pledge to follow the provision of the by-laws and they were included in the by-laws and, the members shall be bonded with the society or union as that limit.

Members binding upon with the by-laws of society or union.

(2) If any disputes arise of the definition of by-laws of a society or union, it shall be submitted to the Registrar, his decision shall be the final. The Registrar shall be forwarded his decision within thirty days to the relevant parties.

13. A society or union registered under the power of making by-law concerned matter in such rule or the by-laws made under, it shall not be questioned in any Magistrate on the basis of halting business.

Powers of making by-laws to prohibit the business.

14. By-laws of a registered Co-operative society or union may be deemed to levy penalty among the members that who violate the by-laws which made the same society or union. Provided,

Powers of by-laws to prescribe penalty to the members.

(a) Unless a written notification of show cause prescribing to deem a penalty by the society or union, has been sent to the member, and

(b) Unless the member failed to produce the reason to be avoided of paying penalty as mentioned within the time period of the rule, shall not prescribed the penalty to any member.

15. (1) A registered society or union may, with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the members or delegates eligible to be present and vote at a general meeting of the society.

Amalgamation, division and transfer of assets and liabilities of registered society or union.

(a) transfer assets and liabilities of a Co-operative society or union to any other registered society or union in whole or in part, or

(b) divided into two or more societies or unions.

(2) Any two or more registered societies or unions, may with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the members or delegates eligible to be present and vote at a general meeting of each such society or union, amalgamate themselves and form a new society or union.

(3) (a) The resolution of a registered society or a union under subsection (1) or subsection (2) shall contain all particulars of the transfer, division or amalgamation, as the case may be. For *ad hoc* details consisted in this proposal and shall be studied by the committee of the Registrar appointed, and the recommendation shall be submitted to him, shall be enforced with the concurrence of the general meeting according to the approval of the Registrar.

(b) (i) If a report of recommendation has not obtained from a person or institution prescribed by the Registrar regarding the economic feasibility of proposed transfer, division or amalgamation ;

- (ii) If a report stating that the by-laws of the societies or unions into which the society or union has been divided or amalgamated, as the case may be are not inconsistent with the provisions of the law or rule made thereunder or deemed to be made has not been obtained from an institution or designated person as for the purpose of (I) of sub section 3(b), shall not approved by the Registrar to assign the respected assets and liability to another registered society or union or those society or union or societies or unions to be divided in to two or more or to be amalgamated with another registered society.

(4) Where a registered society or union 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 registered society or union 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 transfer without any further assurance.

Cancellation of registration certificates of registered societies or union in certain cases.

16. (1) Where the whole of the assets and liabilities of a registered societies or unions are transferred to another registered society or union in accordant with the provision of this statute, the registration of the first - mentioned society or union shall stand cancelled and that society or union shall be deemed to have been dissolved and shall cease to exist as Co-operate body.

(2) When two or more registered societies or unions are amalgamated into a new society or union in accordance with the provisions of this statute the registration of each of the amalgamating societies or unions shall stand cancelled on the registration of the new society or union and each such society or union shall be deemed to have been dissolved and shall cease to exist as a Co-operate body.

(3) Where a registered society or union divides itself into two or more societies or unions in accordance with the provisions of this statute the registration of the society or union shall stand cancelled on the registration of the new societies or unions, and that society or union shall be deemed to have been dissolved and shall cease to exist as a Co-operate body.

Members not to exercise rights till due payments made.

17. (1)(a) No member of a registered society or union shall exercise the rights of a member unless or until he has made such payment to the society or union in respect of membership or acquired such interest in the society or union, as may be prescribed by the rules or by-laws.

(b) Where the liability of members of a society or a union is limited, no members other than a registered society or union shall hold such portion of the share capital of the society or union, subject to a maximum of one-fifth as may be prescribed by the rules.

(2) Where a member of a registered society or union has not made such payment to the society or acquired such interest in the society as is referred to in subsection (I), it shall be lawful for the society or union, from any sum of money due from the society to such member in respect of the purchase of any scheduled agricultural product to deduct any some of money due to the society or union from such member in respect or such payment or such interest as is referred to in subsection (1).

- (3) (a) The payments have to pay at once, if any members need to buy any shares in a society or union. In an occasion the number of shares exceeds one as prescribed to be purchased by member in the by law, the value of the share shall be paid with in a year.
- (b) Also If any member failed to complete his payment for his minimum shares within a year, his membership deemed as automatically cancelled, and in an occasion as said, he shall not has the right to claim the premium he paid.
- (c) The members who unfinished of paying of his share on the day this statute enforced, he shall be paid within 12 months for his share, if he failed to do so, his memberships shall be cancelled automatically on such reason.

18. (1) The persons mentioned below cannot be appointed for the committee of a society or union or district or regional committee :— Disqualification
for Committee.

- (a) A person below 18 of age subject to the provision of Paragraph 18(4) mentioned below.
- (b) If any person was declared as bankrupt or insolvency in Sri Lanka or any other rule of any country and who were yet redeemed from bankrupt or insolvency.
- (c) A demented person.
- (d) A Person that who was found guilty by a case of immorality or charged to be detained three months or more in the prison.
- (e) A person neglected to pay to society or union or other registered society or union or a liquidator for more than three months or a person who neglected any other settlement what have to paid to a society or union or other society or union or a liquidator.
- (f) A person that who had an agreement with a society or union or selling or purchasing of society or union or for who made or making provision on concern money or except a member or employee on an agreement or transaction or person who associated in other way or link up.
- (g) A person involved in a business which the Registrar finales that may interrupt the development of the society or union or any other own matter or a person involved through any other person.
- (h) A person who holding a membership in a society or a union or societies or unions or a employee who obtain a salary in any other society or union.
- (i) A person that Registrar had decided as that he was a co-partner that who involved in taking a decision pertain to a financial or material losses or any other damage or forfeit in a Co-operative society.
- (j) A person that who violated the general instructions or a defaulter of a decision or verdict or who failed to put in practice and who kept away from a decision of the Registrar of the co-operative society.
- (k) A person that who were dismissed from his service or post by this statute or the rule or regulations or the by-laws made under it or the rule and law or the provision of the Co-operative Employees Commission.
- (l) A person that who were appointed for the committee of society or union or a regional committee and who gave false information as that selecting is not inept.
- (m) A person that who were dismissed from the committee or a post of director due to failing to pay the debt of past three years for pending more than three months.

(2) No person who is a member of Parliament, Provincial Council, Municipal Council, Urban Council or Pradeshiya Sabha, shall be eligible to be elected to or continue in office as member of the committee of registered co-operative society or union.

(3) A member who elected for the committee of a society or union or a District Committee or Regional committee shall be forfeit under below mentioned reasons.

- (a) Forfeits the membership of the Co-operative society or union.
- (b) Due to disqualification mentioned (a) to (m) in sub section (1) of this section.
- (c) Ineligible to be a member of a committee in accordance of the by-laws of the union or co-operative society or District Committee or Regional Committee.

(4) It shall be applicable to be elected to the committee of a registered society or union that members who involved in weaving industry or school students or a such society or union which named by the Registrar even though below 18 years of age.

(5) A member shall not has right to bear a post or vote until one year from the day he obtained membership.

(6) The subsection (5) shall not be imposed for the member of new application of a society or union to be registered.

(7) Unless appointed under provision of 56 or 58 of this statute by the Registrar of Co-operative Society, any employee shall not be appointed for the committee in a nomination for a registered society or union or district or regional from the co-operative development department or the co-operative employees' commission of Uva Province.

(8) However the above subsection (7) is not be relevant to be elected for the committee of a society or union which established by the officers of the provincial public service and which associate with institute or institutes societies or unions.

Associate members.

19. (1) A registered society or union may admit any individual as an associate member that who attain to involve for an agreement to run business according to the by-laws of the society or union.

(2) An associate member shall not entitle to any share in any form whatsoever, in the assets or profits of the society or union, to cast vote and bear a post in the conduct of the affairs in a society or union.

(3) Save as provided in this section, an associate member shall have such privileges and rights of a member and be subject to such liabilities of a member, as may be specified in the by-laws of the society or union.

(4) The provisions for a associate member shall be consisted in the by-laws of the society or union.

Contracts with society or union of members who are minors.

20. The minority or non age of any person duly admitted as a member of any registered society or union shall not debar that person from executing any instrument or giving any acquaintance necessary to be executed or given under this statute or the rules made thereunder and rules deemed thereunder shall not be ground for invalidating or avoiding any contract entered into by any such person with the society or union, and any such contract, entered into by a any such person with the society or union, whethere as principle or as surety, shall be enforceable at law by or against such person notwithstanding his minority or non age.

Contracts by officers of societies or unions.

21. The subsequent discovery, of any defect in the appointment of, or any disqualification for election of, any officer of a registered society or union shall not be a ground for invalidating or avoiding any contract entered into by such officer on behalf of such society or union.

22. No member of any primary society or union shall have more than one vote in the conduct of the affairs of the society or union. Provided that in the case of an equality of votes the chairman shall have the casting vote.	Votes of members.
23. (1) No member of any primary society or union shall at any meeting of the society or union exercise his vote except in person. However, voting through delegates at any meeting of the society may be allowed where it is so provided under the By-laws of the society or union. (2) A registered society or union which is a member of any other registered society or union may appoint anyone of its members with the concurrence of the chairman or vice chairman or majority of the committee for the purpose of voting in the conduct of the affairs of such other registered society or union.	Manner of exercising votes.
24. (1) The transfer of the share or other interest of a member or past member or deceased member in the capital of the registered society or union shall be subject to such conditions as to maximum holding as may be prescribed by this statute or by the rules. (2) In the case of a Society or Union registered with unlimited liability, a member shall :- (a) if he has held such share or interest for less than one year ; and (b) unless the transfer is made to the society or union, or to a member of the society, or to a person whose application for membership has been accepted by the committee, he shall not transfer a part of the capital or any link or part. (3) Secret vote shall be casted in the committee meetings and general meetings in the motion of no confidence.	Restriction on transfer of share or interest.
CHAPTER III <i>RIGHTS, BINDING AND PRIVILEGE OF REGISTERED SOCIETIES OR UNIONS</i>	
25. According the rule, a registered address should be there in a registered society or union to send notices and letters and any change in address shall be informed to the Registrar within seven days of the change had taken place.	Address of societies and unions.
26. Every registered society or union shall keep a copy of this statute and of the rules and of its By-laws and list of its members open to inspection, free of charge, at all reasonable times at the registered address of the society or union.	Copy of Statute, rule, By-laws and orders to be open to inspection.
27. The registration of a society or union shall render it a body corporate by the name under which it is registered with the 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.	Societies or union to be bodies corporate.
28. (1) registered society or union that has an object of selling agricultural or animal husbandry or industrial products may provide in its By-laws or may contract with its members. (a) that every such member who produces any such article, shall dispose of the whole or of any specified amount, proportion or description thereof to or through the society or union and (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.	Disposal of produce to or through society or union.

(2) A contract made by a registered society or union under subsection (1) shall create in favour of the society or union a first charge upon all articles, whether produced or about to be produced, to which the contract relates.

(3) In any legal proceeding arising out of contract under subsection (1), it shall not be a defence that contract is in restraint of trade.

(4) A member of a registered society or union shall be deemed not to have contravened any By-law of the society or union which requires him to deliver any produce to the society or union, if the failure to deliver such produce was due to the fact that he had, prior to becoming a member of the society or union, contracted to deliver the produce to some other person.

(5) Every person who applies for membership of a registered society or union shall, if required to do so, disclose in his application particulars of all contracts made by him for the delivery of any produce to any other person.

Rights of a society or union over raw materials, manufactured articles and animals.

29. Subject to any prior claims of the government on the property of a debtor and to the lien or claim of a land lord in respect of rent or any money recoverable as rent, and in the case of immovable property, to any prior registered charge thereon -

(1) Any debt or outstanding demand payable to a registered society or union by any member or past member,

- (a) upon crops or other agricultural produce rose in whole or in part with a loan taken from the society or union by such member or past member shall be a first charge ;
- (b) upon any cattle, fodder for cattle, agricultural or industrial implements, or raw materials for manufacture, or workshops, go down, 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 or union shall be a first charge ;
- (c) provide that nothing herein contained shall affect the claims of any *bona fide* purchaser or transferee, for value without notice, of any such crops, or other agricultural produce, cattle, fodder for cattle, or agricultural or industrial implements, or raw materials, for manufacture ; and
- (d) upon any sum of money due from the society or union to such member in respect of the purchase of any scheduled agricultural product appropriation of constitutional board under the agricultural products shall be a first charge.

(2) Any outstanding demands or dues payable to a housing society by any member or past member in respect of rent, shares, loans, or purchase money or any other rights 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 of members.

30. A registered society or union shall have a charge upon the shares or their interests in the capital and on the deposits of a member or a 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 or union ;
- (b) any debt due to any other registered society or union ; or
- (c) any amount due to the liquidator of any registered society or union.

From such member or past member or estate, and may set off, or pay to such other society or union 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.

31. Subject to the provisions of section 30 above, 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 decree or order of a court in respect of any debt or liability incurred by such member, and neither his assignee in insolvency nor a receiver appointed under Chapter I, of the Civil Procedure Code, shall be entitled to, or have any claim on, such share, contribution or other interest.

Shares and contributions and other interests not liable to attachment or sale.

32. (1) On the death of a member, a registered society or union 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 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.

- (a) However, in the case of a society or union with unlimited liability, such nominee, heir, or legal representative as the case may be, may require payment by the society or union of the value of the shares or other interest of the deceased member ascertained as aforesaid.
- (b) In the case of a society or union with limited liability, the society or union 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 union, 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 or union shall pay all other moneys, due to the deceased member from the society or union to such nominee, heir, or legal representative, as the case may be.

(3) All transfers and payments made by a registered society or union in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society or union by any other person.

33. (1) A registered society or union may receive deposits from or for the benefit of minors and it shall be lawful for the registered society or union to pay 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 deposits 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 minors.

(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.

34. (1) The liability of a past member for the debts of a registered society or union 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.

Liability of past member and estate of deceased member for debts of society or union.

(2) The time period of two years from the date the member deceased, his asset has to be bound with the debt of the society prevailed.

35. Any register or list of members kept by any registered society shall *prima facie* evidence of any of the following particulars entered therein :—

Register of members.

- (a) The date on which the name of any person was entered in such register or list as a member ;
- (b) The date of terminated of a person as such being a member ;
- (c) The name which nominated by the member and date of nominated.

Proof of entries
in books of
society or
union.

36. (1) A copy of any entry in a book of a registered society or union 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 everywhere, and to the same extent as the original entry itself is admissible.

(2) No officer of any registered society or union shall in any legal proceeding to which the society is not a party, be compelled to produce any of society's books, the contents of which can be proved under Sub-section (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
pledges by a
society or
union.

37. Notwithstanding any written or other law for the time being in force a registered society or union may :—

- (a) pledge as the 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 or union, to sell 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.

38. (1) A registered society or union may acquire by purchase, gift or otherwise and take on lease lands, buildings or other movable or immovable property, or sell, mortgage, lease exchange or otherwise dispose of lands, buildings or other movable or immovable property for any purpose connected with its objects.

(2) However a prior approval in writing of the Registrar has to be obtained for the transaction referred to in the proceeding provisions of this section as relates to any immovable property or to any such movable property as is specified in the rules made under this statute in that behalf.

Compulsory
acquisition of
lands and
buildings.

39. (1) Where any land or building is required for any purpose connected with the objects of a registered society or union, that purpose shall be deemed to be a public purpose and that land or building may be acquired under the Land Acquisitions Act by the Government for that society.

(2) Where any land or building is to be acquired under the Land Acquisition Act by the Provincial Council or Government for a registered society or union, that society or union shall, before an Order relating to that land or building is made under section 38 of that Act, pay to the Government or the Provincial Council 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 or the Provincial Council in the acquisition proceedings.

(3) However, that where it become 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 or union shall pay to the Government or Provincial Council 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 IV

EXEMPTIONS FROM STAMP DUTY AND FEES

Exemption
stamp duty and
fees.

40. (1) Every registered society or union shall be exempt from —

- (a) any stamp duty chargeable under any written law in respect of any instrument executed by, or on behalf of, or in favour of a registered society or union, or in respect of any document filed in a Court in pursuance of the provisions of section 69, in cases where but for the exemption granted by this subsection, the registered society would be liable to pay the duty chargeable in respect of such instrument or document, and
- (b) any fees payable under the law for time being in force relating to the registration of documents.

(2) Every member of a registered society shall be exempt from the payment of any stamp duty chargeable under any written law in respect of any instrument executed by such member in favour of, and relating to the business of, such registered society or union in cases where but for exemption granted by this subsection the member would be liable to pay the duty chargeable in respect of such instrument.

CHAPTER V

BUSINESS ASSET AND FUND MANAGEMENT OF A REGISTERED SOCIETY OR UNION

41. (1) It is a liability of a society or union, committee of a society or union and employees to lead the society or union to the goal and approved development programme of the general meeting according to the manner of that to be fulfilled the necessity of the members. Also if any violation of purposely by neglecting, inconsiderate, lost from the non approved investment expenditure in a society or union, the liability shall be abided to the committee and to the executive level management.

Business activities and annual development plan.

(2) Making annual activity plan, enforcing and properly govern the progress according to the aggregate goal, shall be accomplished in an appropriate manner by the committee and the management.

(3) The committee and the management shall be made the plan for the coming year in advance at the very least three months and forwarding to the general meeting for approval shall be done by the committee and the management.

42. (1) A registered society shall not given any loan to any other than member.

Loans made by registered societies or unions.

(2) However that, with the approval of the general meeting of a registered society or union and on the condition as may be determined, a loan shall be provided to another registered society or union or associated member or a employee of that society or union, a person who were appointed as a business purpose of a society or union or according to a regular agreement, goods shall be supplied on credit.

(3) Except with the approval of the respected general meeting, a registered society or union shall not lend money to the above mentioned parties in Sub-section (2) on the security of any movable property other than agricultural produce. However lending money shall be applicable for any trustworthy security or a fixed asset as security.

43. (1) A registered society or union shall receive deposits and loans from persons who are not members only to such extend and under such conditions as may be prescribed by the rules or by-laws.

Deposits and Loans made received by societies or unions.

(2) Where a loan is granted to a registered society or union by a bank on the mortgage of any immovable or moveable property, such property shall, from and after the date of registration of such mortgage under the Registration of Documents Ordinance, be charge with the payment of the moneys due under such mortgage in priority to every other debt of such registered society or union whatsoever and to every mortgage or charge affecting such property, except the mortgage or charge affecting such property which is secured by a mortgage duly registered under the Registration of Documents Ordinance prior to such date.

44. Save as provided in sections 42 and 43 the transaction of a registered society or union with persons other than members shall be subject to such prohibitions and restrictions as may be prescribed by the rules.

Restrictions on other transactions with non-members.

45. (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 or with any private banker approved by the Central Bank of Sri Lanka or in the shares or on the security of any other registered society or union or in any other mode permitted by the rules.

Investment of society's or union's funds.

(2) Any deposit or investment made before the commencement of this statute which would have been valid if this statute had been in force is hereby rectified and confirmed.

Establishing Co-operative development fund.

46. A fund shall be established as Co-operative Development Fund Ten percent (10%) of the net profit which determined by the annual auditing shall be sent to the commissioner of Co-operative Development as a contribution for the fund. In occasion that society or union failed to gain a net profit, Rs. 100 shall be paid to the fund. All payments shall be paid before a specific date informed by a written notice of the Registrar, as to be paid such.

Establishing reserve fund or constitutional pool for society or union.

47. Registered society or union shall, out of its net profits in any financial year as ascertained by the audit, transfer an amount not being less than twenty five percent to the Reserve Fund or Constitutional Pool of the society or union. The minister should make rule to regulate this fund.

Establishing members development and Co-operative welfare funds.

48. (1) A fund known as Member's Development and Welfare Fund shall be established in every Registered co-operative society or union.

(2) Ten percent (10%) of the net profit which the auditing revealed shall be paid as contribution to the Members Development and Welfare Fund in every registered society or union,

(3) This fund shall be regulated by the committee according to the provisions of deemed by the rule of the committee on decision of a general meeting of a society or union.

Appropriate action for balance of profits.

49. Every registered society or union shall, out of its net profits in any financial year as ascertained by the audit under section 51, the balance of profits after allocating the above mentioned section 46, 47, 48 shall be utilized for all or any of the following purposes :—

- (a) Payment of dividends to members on their paid up share at a rate of ten percent of the annual profit or ten percent of balance profit, the excessive amount in both shall be paid as profit ;
- (b) Payment of rebates to members on the value of the business done by them with the society or union to the extent and in the manner specified by the by-laws ;
- (c) Contributions to such funds has may be prescribed in the by-laws ;
- (d) Payment of bonus to employees of the society or union or such amount of money to the welfare society ;
- (e) Contributions of an amount not exceeding ten percent of the net profits to a common welfare fund to be used for a common public purpose such as social, cultural or recreational purpose, or the advancement of any other object of local or public utility.

CHAPTER VI

ACCOUNTS BUDGET AND AUDITING OF REGISTERED SOCIETY OR UNION

Making accounts and budgets for the societies and unions.

50. (1)(a) Proper accounts of the income and expenditure, asset and credit and other transactions of a society or union shall be maintained according to the Sri Lankas standard in all of the registered society or union.

(b) A yearly financial report shall be prepared in every registered society or union by whom that Registrar has given power to be done. The financial statement shall be submitted within three months of the relevant financial year concludes to the Registrar or to whom the power given by Registrar.

- (2) (a) A document which mentioned, the income targeted recurrent and capital expenditure, of a registered society or union and financial and financial resource, financial investment, budgetes income and loss account, income and expenditure account and balance sheet and according the provision above in section 41, a development plan should be prepared for every financial year by every registered society or union.
 - (b) The document of relevant budget shall be submitted for the approval to the general body of the society or union before two months prior to the commencement of the financial year of a society or union.
 - (c) A copy of budget and a copy of a development plan prepared according to the provision of section 41 above shall be submitted to the Registrar before two months prior to the commencement of the financial year.
 - (d) The format of preparing the budget and manner, and the minimum details what consisted shall be done according to the determination of the Registrar.
 - (e) The minister may where he considers it expedient to do so having regard to the membership of a registered society or union and their income and expenditure by special or general order exempt any society or union from the requirements of this section.
 - (f) In any occasion a registered society or union neglects to act of any of the section of this provision when inquiring the members of the committee and determined found guilty by the Registrar under section 53, 54 or 55 of below of this statute, the Registrar shall be able to terminate all the committee members or an executive level member or from any post or from the service.
 - (g) Furthermore in an occasion as that the Registrar shall be able to take further activities for management and administration according to the provision of section 58.
51. (1)(a) Every registered co-operative society or Union shall at least once in every year cause to be audited by some person or institute authorized by the Registrar, the accounts of the society or union shall be a liability of the committee of the society or union. Audit.
- (b) The accounts of every registered Co-operative society or union shall be audited by a person or an auditing firm authorized in writing by the Registrar according to the Sri Lanka standard even once a year.
 - (c) Unless the satisfaction of the Registrar that prescribed qualification and having ability to maintain a Co-operative auditing, shall not given authorization to anyone to be an auditor.
- (2) The audit under subsection (1) shall include—
- (a) an examination of overdue debts ;
 - (b) a valuation and verification of assets and liabilities of registered societies ;
 - (c) an examination as to whether the organization systems, procedures, books, records and other documents have been properly and adequately designed to ensure proper financial control and the presentation of information, to enable a continuous evaluation of the activities of the society, and whether such systems, procedures, books, records and other documents are in effective operation ;
 - (d) an examination as to whether the conduct of the society has been in accordance with the provisions of this Law, or rules, regulations of by-laws made thereunder and whether administration of the affairs of the society has been in accordance with the provisions of such Law, rules, regulations or by-laws ;

- (e) an examination as to whether the utilization of the Fund has been efficiently and economically carried out ;
- (f) an examination as to whether as satisfactory procedure has been formulated so as to ensure the safety of money and property belonging to and under the control of the registered society ;
- (g) an examination as to whether the accounts audited have been so designed as to present a true and accurate account of the affairs of the society in respect of the period under consideration having due regard to the principles to accountancy, financing and valuation ; and
- (h) other prescribed matters.

(3) For the purposes of an audit under sub-section (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 union 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 union or the management of its affairs.
- (b) to require the production of any book or document relating to the affairs of the society or union, or any cash security, or other property belonging to the society or union by any past or present officer, agent, servant or the member of the society or union or other person in possession of 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 or union where he discovers a fraud in the course 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 and be entitled to examine all the books documents accounts, papers and securities and cash in hand of a registered society or union, and every person in charge of or maintaining or having possession of the aforesaid shall produce them to the Registrar or such authorized person or, furnish such information in regard to the transactions and working of the society or union as the person making an audit may require.

(5) The Registrar and every person authorized by him to audit the accounts of a registered society or union shall be deemed to be public servants within the meaning of the Penal Code.

- (6) (a) If, in the course of, or at the conclusion of, an audit under sub-section (1), it is found that any person, who is or was entrusted with the organization or management of a society or union, or who is or has at any time been an officer or an employee of a society or union has made any payment or has used any funds of the society or union contrary to the provisions of this statute or the rules made under this statute or the by-laws or rules or regulations of the society or union or working rules of the society or union, 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 payments or such use of funds and shall charge against any person, the amount of any deficiency or loss incurred by the negligence or misconduct of the person and any amount which ought to have been, but it 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 disallowances 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 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) Any person aggrieved by any such disallowance or surcharge made by the Registrar may appeal there from to the Secretry of the Co-operative Ministry of Uva province within fourteen days after the date of the decision of the Registrar being communicated to him, and the decision of the Secretary of the Co-operative Ministry of Uva province thereon shall be final and conclusive and shall not be questioned in any Court.
- (d) The provisions of section 74(2) shall apply, *mutatis mutandis* in a case where the decision made by the Registrar is not complied with.

52. (1) If on an audit held under section 51 any defects in the working of a registered society or union are disclosed, the Registrar may bring the defects to the notice of the society and if the society is a member of another society or union, also to the notice of that other society or union.

Communication of defects in audit to Societies or unions.

(2) The Registrar may make an order directiong the society or union or their officers to take such action as may be specified in the order within the time mentioned therein to remedy the defects disclosed.

(3) The Registrar may take action according to the power which assigned by this statute against the society or union or any officer who violate the orders of the Registrar.

CHAPTER VII

EXAMINATIONS AND INQUIRY OF A REGISTERED SOCIETY OR UNION

- 53. (1)(a) The Registrar may of his own motion, and shall, on the application of a majority of the committee, or of not less than one-third (1/3) of the members, of a registered society or union, hold an inquiry or inspection or direct some person authorized by him by ordr in writing in that behalf, to hold an inquiry into the constitution, working and financial condition or an inspection into the books of the registered society or union.
- (b) However to hold an inquiry according to the deemed provision (1) or if thought the regulation is necessary to be made inquiry and to find out whether there are sufficient matter to be held a prior inquiry or the Registrar should have as such power to be forced. What ever recommended in the prior inquiry shall be disregarded and an inquiry under the section 53(1) may be made by the order of the Commissioner.
- (2) For the purpose of an inquiry under sub-section (1) the Registrar or any person authorized by him to hold an inquiry or inspection, 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 union or the management of its affairs.
 - (b) to require the production of any book or document relating to the affairs of the society or union 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 union or other person in possession of or having the custody of such book, document, cash, security or other property.

Inquiry and inspection.

(c) to summon a general meeting of the members of the society or union at such time and place as may be specified by him to determine such matters as may be directed by him ; and

(d) to take his custody books of accounts or the documents of the society or union when he discovers a fraud or irregularity in the course of such inquiry or inspection or investigation.

(3) Any meeting summoned under subsection 2(c) shall have the powers of a general meeting called under by-laws of the society or union and the proceeding shall be regulated by such by-laws except that no quorum shall be necessary for such meeting and the provisions of the by-laws relating to the period of notice relating to a general meeting shall not be applicable. The Registrar or any person authorized by him may preside at such meeting but shall have no vote ; in the event of an equality of votes he shall have a casting vote.

(4) Before the completion of an inquiry under this section, if the Registrar is of the opinion that a *prima facie* case has been established against the committee, the Registrar shall have the power to suspend such committee for a period of six months and appoint an interim board to manage and administer the affairs of a society or union. The Registrar shall complete such inquiry or investigation within six months from the date of suspension of such committee and take a final decision regarding the dissolution of such committee under Section 57.

(5) Where the inquiry is held under this section the Registrar shall communicate the result of the inquiry to the society or union and to the society or union, if any, of which that society or union is a member and to any bank to which the society is indebted.

(6) 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 of books and investigation of the affairs of a society or a union.

54 (1) The Registrar may of his own motion, or on the application of a majority of the committee or of not less than one-third of the members or agents qualify according to the by-laws of the society or union to be participated in to a general meeting or an external depositor or a creditor or one-third of the total number of members or hundred which is lower, of a registered society or union, inspect or direct any person authorized generally or specially by him by order in writing in that behalf to inspect, the books of the society. Provided that no such inspection shall be made on the application of a creditor unless the applicant.

(a) proves that an ascertained sum of money is then due to him and that he has demanded payment thereof and has not received satisfaction within a reasonable time ; and

(b) deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may required.

(2) The Registrar may of his own motion investigate or direct any person authorized by him to investigate the affairs of any registered society or union.

(3) The Registrar, or any person authorized by the Registrar under this section —

(a) shall at all times have access to all the books, accounts, papers and securities of a registered society or union and shall be entitled to inspect the cash in hand, and every officer or member of the society or union shall furnish such information in regard to the transactions and working of the society or union as the person making an inspection or investigation may require and ;

(b) shall have the power to take into his custody books of accounts or the documents of the society or union where he discovers a fraud in the course of such inspection or investigation.

(4) The results of any such inspections, or investigation —

(a) where such inspection or investigation is held of the Registrar's own motion may be communicated by the Registrar to the society or union and to any bank to which the society or union is indebted ; and

(b) where such inspection or investigation is held of the application of an extent depositor or a creditor, shall be communicated by the Registrar to the external depositor or creditor and to the society or union.

(5) Where an inspection is held under Subsection (1) on the application of a creditor of a registered society or union the Registrar may apportion the costs, or such part of the costs, as he may think fit between the society or union and the creditor.

(6) Any sum awarded by way of costs against any society or union or creditor under this section may be recovered, on application to the Magistrate's Court having jurisdiction in the place where the registered office of the society or union is situated or the business place is located or the creditor resides, in like manner as a fine imposed by the Court.

(7) The Registrar and every person authorized by him to inspect the books or investigate the affairs of a registered society or union shall be deemed to be public servants within the meaning of the Penal Code.

(8) For the purpose of an inspection or investigation under the provision of this section, the Registrar, or any person authorized by him to hold an inspection or investigation, shall have the power—

(a) to summon any past or present officer, agent, servant or member of a society or union 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 transaction of the society or union, management of their affairs ;

(b) to require the production of any book or document relating to the affairs of the society or union by any past or present officer, agent, servant or member of the society or union or other person in possession of or having the custody of such book, document, cash security or other property ;

(c) to summon a general meeting of the members of the society or union at such time and places as may be specified by him to determine such matters as may be directed by him ; and

(d) to take into his custody book of accounts or the document of the society or union where he has reason to believe that this is a fraud, or irregularly in the course of such inspection or investigation.

55. (1) The Registrar and officers of Provincial Co-operative Development Department that who were discharge power by the commissioner may have the power to inspect the general functions of all the registered society or union in the Province. Also he who discharged power or obtained may have the power to obtain the relevant books and documents for inspection, inspect the check remaining and check the remaining cash and obtain necessary information or statements from the officers and employees.

Power of general inspection of registered societies or unions.

(2) The Registrar and every person authorized by him to do the inspections mentioned in subsection(1) above shall be deemed to be public servant within the meaning of the Penal Code.

CHAPTER VIII

SUSPENSION OR INTERDICTION OR REMOVAL OF OFFICERS OF A REGISTERED SOCIETY OR UNION AND DISSOLUTION OF THE COMMITTEE OF A REGISTERED SOCIETY OR UNION AND NOMINATING A COMMITTEE

Dissolving committees terminating members of the committees and suspending and terminating the officers and interdict officers and that obtain salary of the registered society or union.

56. (1) If the Registrar is of the opinion after an inquiry or inspection under section 53 or 54, that the committee or any member of the committee of any registered society or union is not performing its duties properly, he may, after giving an opportunity to the committee or the member such to state its written objections, if any, to its dissolution or termination and after considering such objections at a general meeting of the society or union recomoned by him, by orer in writing —

- (a) the Registrar or the person who is discharged the power by the Registrar shall be detailed the offence to a general meeting which shall be summoned and may order to terminate the committee and appoint a new committee or terminate a committee member and nominate a new ;
- (b) if the general meeting failed to take action s Subsection (a) in an occasion of dissolving the old committee, the Registrar dissolves the siad committee and may appoint three Public Service Officers as Temporary Administrative Board. After appointing an Administrative Board, the posts of committee's shall be ended. The chairman and Vice Chairman of Administrative Board may nominated by the Registrar.
- (c) as a result of the inquiry of Section under 53 of the inspection of under 54, the administrative board what appointed for temporary according to the Subsection (b) has to be summoned a general meeting before three months and a new committee shall be appointed according to the By-laws. The appointed committee bears the office for the remaining period of the previous committee.

(2) In an inquiry of Section 53 or under an inspection of Section 54 of the statute, if the Registrar's opinion is that past committee wasn't accomplished the dischage duties in a registered society or union, after the action of above Subsection (1) he may order by a letter to the past committee or any member of it suspending electing to the committee of said society or union or any other registered society or union up to five years from the date of such order. It is not lawful to be electing a person who subjected to a such order for the committee of registered society or union.

(3) The committee so elected or person or persons so appointed as administrative board or committee under above subsection (1) (a) (b), shall hold office for the remainder of the period of office of the dissolved committee of the person under subsection 56(1) however the Registrar may have the power to extend the time period of that who appointed until establishing a general body according to the By-law. Also if any provision of By-laws as a hindrance to establish a general body, the Registrar may have power to exempt the relevant provision and determine the necessary provisions instead.

(4) Where any order is made under above Subsection (1) the Registrar shall be the same or subsequent order appoint a fit and proper person or more such persons to manage and administer the affairs of the society or union, and may at any time remove or replace any person so appointed or appoint additional persons.

(5) 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 -

- (a) shall have the power to recover the assets and discharge the liabilities of the society or union and take such other steps as may be necessary in its interests, and

(b) shall have and may exercise all the powers, right and privileges of duly constituted committee of the society or union and where it becomes necessary to do so in the interest of the efficient management of the affairs of such society or union, such of the powers of the general body as are necessary in such interest, to the exclusion of such general body.

(6) Persons appointed under this section to manage the affairs of a registered society or union 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 or union.

(7) 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 or union. The amount of such remuneration and other expenses, if any incurred in the management of the society shall be payable from its funds.

(8) It shall be 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 (c) 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 or union.

57. (1) If the Registrar is of the opinion after an inquiry under section 53 or an investigation under section 54, that any officer or employer of any registered society or union is not performing his duties efficiently, he may notwithstanding anything to the contrary in this statute, or any other law after giving such officer or employee an opportunity to state their objection by order in writing suspend or interdict as the case may be, such officer or employee, pending such inquiry as may be necessary and after such inquiry, remove such officer or employee from office.

Suspending and terminating the officers of the society or union.

However any employee aggrieved by an order of removal made under this subsection, may appeal there from to the Provincial Co-operative Employees Commission within a period of thirty days, and the decision of such commission shall be final.

(2) If any disciplinary inspection shall be held against a past or present officer or employee of a society or union by past or present committee of a society or union, the inspection officer or officers shall be appointed only by the Registrar. In an occasion rose as this, that Registrar shall have a pool of qualified officer to lead and he should make an appropriate plan.

(3) If any officer or employee removed under subsection (1) and the removal is abided by the Co-operative Employees' Commission or in an occasion an appeal is not made against such order within thirty days, may select or appoint other officer or employee as the case may be according to the relevant provision in respect of such election or appointment.

(4) If anyone terminated or interdicted by the decision of the Registrar under subsection (1) above or who terminated is found guiltless and made decision to pay the back wages and payment, the said back wages shall be paid by the society or union of he served.

58. (1) Where the Registrar is of opinion that is it necessary or expedient to do so for the purpose of ensuring efficient management of the affairs of a registered society or union operating with State or Provincial Council funds or for the purpose of safe-guarding or managing any investments or advances in money or goods made to such society or union by the Government or Provincial Council may notwithstanding anything to the contrary in this statute or any other law or in the By-laws of such society or union nominate such number of persons to be members of the committee of such registered society or Union as are in his opinion necessary or expedient for such purpose. However the number of such nominated members, shall be less than one-half of the total number of members of such committee, and the Chairman and Vice Chairman for the committee also may be appointed by the Registrar among the persons nominated under this section the posts currently bear shall revoke with the nomination.

Managing the Society or Union which run by the Government fund.

- (2) (a) 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 a registered society or union operating with State or Provincial Council funds or for the propose of safe guarding any investments or advances in money or goods made to such society or union by the Government or Provincial Council may notwithstanding anything to the contrary in this statute on any other law or in the By-laws of such society or union, appoint a board of control, soon after office of the committee prescribed by the By-laws of that society or union, consist with three Government or Provincial Council officers, and may from time to time remove or replace any person so appointed. Further the Registrar may nominate the Chairman and Vice Chairman for the committees among the such persons appointed for the board of control.
- (b) With the appointment of the board of control according to the paragraph (a) above the committee of the society or union currently existing shall be dissolved. The office of the board of control shall be limited to the maximum period of six months and within the period of six months aforesaid the board of control shall take action for the appointment of a new committee in accordance with the By-laws of the society or union.
- (c) The board of control appointed under the paragraph (a) above shouldn't have the powers to acquire any property for the society or union, or dispose any property belonging to the society or union, or recruit officers or employees for the staff of the society or union.
- (d) Notwithstanding anything to the contrary in any law, no civil court shall have any jurisdiction in suspension or precluding of the appointment of a board of control under the paragraph (a) above or prohibition or dissolving or suspension of functioning of the board of control such appoint or any matter concerned with it.

CHAPTER IX

DISSOLUTION OF A REGISTERED SOCIETY OR UNION

Dissolutions.

59. (1) If the Registrar, after an inquiry under section 53 or an inspection or investigation under section 54, or on receipt of an application for its dissolution made by three-fourths of the members of a registered, society or union, and after giving an opportunity to the society or union and to the credits of such society or union 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 or union.

(2) Any member or any creditor of a registered society or union may, within two months from the date of an order made under subsection (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 or union, the order shall take effect on the expiry of that period. Where an appeal is presented within the two months, the order shall not take effect until it is confirmed.

(4) Where the Registrar cancels the registration of a society or union under subsection (1) he may appoint one or more persons to be in charge of the books, documents and other property of the society or union, and to manage the affairs of the society or union until the order cancelling the registration of the society or union takes effect, or until such order is reserved in appeal by the Minister. On the appointment of such person or persons, the committee of the society or union or any other person in charge of books, documents or other property of the society or union shall hand over such books, documents or property to the first mentioned person or persons and such committee shall until the order canceling the registration takes effect or until such order is reversed in appeal by the Minister cease to function.

60. Registration of any Co-operative society or union registered —

- (a) where it is a condition of the registration of the society or union that the society or union shall consist of at least twenty members, if the number of members of such society or union has been reduced to less than twenty ; or
- (b) if a registered society or union has not commenced working during one year from the date to be achieved the objectives of a registered society or union ; or
- (c) has ceased to work for a period of two years prior to the date of making the order of cancellation under this section.

Cancellation of registration of societies or union.

the Registrar may cancel a registration by written order.

61. Where the registration of a society or union is cancelled by an order under section 59 or under section 60, the society or union shall cease to exist as a co-operate body from the date of which the orders takes effect, hereinafter referred to as the date of dissolution. Provided that any privileges assigned by this statute or by under this statute to the society or union shall be deemed to be vested in any liquidator or liquidators appointed for that society by the Registrar.

Effect of cancellation of registration.

62. Where the registration of a society or union is cancelled under section 59 or section 60 the Registrar may appoint one or more persons to be the liquidator or liquidators of the society or union. The enforcing date of the cancellation under section 59 or under section 60, all asset of the society or union shall be vested in the liquidator or liquidators.

Liquidation after cancellation of registration of societies or union.

63. (1) A liquidator appointed under section 62 shall subject to the guidance and control of the Registrar and to any limitation imposed by the Registrar by order under section 64, have power to —

Liquidator's power.

- (a) determine from time to time the contributions to be made by members and past members and employee or past employees or by the estates of deceased members or employees of the society or union ;
- (b) appoint a day by proclamation or notice before which creditors whose claims are not already recorded in the books of the society or union shall state their claims for admission or be excluded from any distribution made before they have proved them ;
- (c) decide in accordance with the provisions of this statute any question of priority which arises between creditors ;
- (d) refer for arbitration under section 68 any dispute of any description mentioned in that section (reference therein to the society or union being construed as references to the liquidator), and institute and defend suits and other legal proceedings on behalf of the society or union by his name or office ;
- (e) decide by what persons and in what proportions the costs 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 up the society ;
- (g) compromise any claim by or against the society or union provided the sanction 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 or union ;
- (j) deposit all moneys collected by selling the property and liquidating of the society or union as the Registrar determined ;

- (k) carry on the business of the society or union so far as may be necessary for winding it up beneficially, provided that nothing herein contained shall entitle the liquidator of a credit society or union to issue any loan ; and
- (l) arrange for the distribution of the assets of the society or union in a convenient manner when a scheme of distribution has been approved by the Registrar.

(2) Where there is any debt payable by any member or past member and employee or past employee of a society or union whose registration is cancelled under section 59 or section 60 and such person is a member of any other society or union registered under this statute after the date of such cancellation, then the liquidator of such first-mentioned society or union appointed under section 62, shall subject to the guidance and control of the Registrar and to any other limitation imposed by the Registrar by order under section 64, have power to require that such other society shall recover, from any sum of money due from such society or union 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 or union and transmit the same to the liquidator.

(3) Subject to such rules as may be made in that behalf, and 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.

Registrar's power
to control the
liquidations.

64. (1) The 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 or union ;
- (d) by order in writing limit the powers of liquidator under section 63 ;
- (e) require accounts to be rendered to him by the liquidator at his discretion ;
- (f) procure the auditing of the liquidator's 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 so referable under section 63(1) (d) between the liquidator and any third party, if such party consents in writing to be bound by the decision of the arbitrator.

(2) The Registrar shall open an account, by the name of "Liquidation", and all the money accumulated by the liquidator shall credit to this account. The account shall be borne the total money and cost and payment of the liquidator.

Enforcement of
order.

65. (1) The decision of and arbitrator on any matter referred to him under section 63 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 63 or under 64 shall not be called in question in any civil court, and shall be enforced by any civil court having jurisdiction over the place where the registered office of the society or union is situated in like manner as, a decree of the court.

(3) Provided that any bank which is a creditor of a society or union 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 63 or section 64 within two months from the date of such order of the liquidator or the Registrar.

(4) 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 63 or section 64, such order of the liquidator or the Registrar shall take effect on the expiry of that period. Where an appeal is presented to the Minister within two months, the order of the liquidator or the Registrar shall not take effect until it is confirmed by the Minister.

66. Save in so far as hereinbefore expressly provided, no civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a registered society or union under this statute.

Limitation of the jurisdiction of the civil court.

67. (1) In the liquidation of a society or union whose registration has been cancelled, the funds, including reserve fund, shall subject to the provision of subsection 43 (2) be applied first to the costs of liquidation, then to the repayment of Government or Provincial Council Loans and Government or Provincial Council Guaranteed Loans, then to the discharge of the other liabilities of the society or union, then to the payment of the share capital and then, provided the By-Laws of the society union permit, to the payment of a dividend at a rate not exceeding ten *per centum* per annum for any period for which no disposal of profits was made, and to the payment of a rebate to members for any period for which no disposal of profits has been made where such period is immediately preceeding the date of dissolution.

Closure of liquidation.

(2) When the liquidation of a society or union has been closed and any creditor of that society or union 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 in respect of any claim against the funds of such society or union, no action shall be maintainable unless it is commenced within 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 subsection (2) may be applied to such object 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 or union 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 into 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 may be provided in the rules. Provided however, that any interest accruing on the surplus may be paid into the Co-operative fund.

(4) Any person who accomplished or appointed a person such, to be accomplished any activity mentioned in this chapter shall be deemed to be public servant within the meaning of the penal code No. 15 of 1979.

CHAPTER X

DISPUTES

68. (1) If any dispute related to the business of a registered society or union arises —

Disputes

- (a) among members, past members and persons, claiming through members, past members and deceased members, or among officers, or employees of the society or union, whether past or present, or among heirs or legal representatives of deceased officers of employees ; or
- (b) between a member, past members or person claiming through a member, past member or deceased member, and the society or union, its committee or any officer or employee of the society or union, whether past or present or any heir or legal representative of any deceased officer or employee ; or

- (c) between the society or union its committee and any officer or employee of the society or union, whether past or present, or any heir or legal representative of any deceased officer or employee ;
- (d) between the society or union or its committee ; and
 - (i) any person who was member or an officer or employee of any other society or union whose business or part thereof was transferred to the society or union ;
 - (ii) any person who claims, through any member or past member or deceased member of the society or union referred to in sub-paragraph (1) ;
 - (iii) any person who is the heir or legal representative of any officer or employee of the society or union referred to in sub-paragraph (1) ; or
- (e) between the society or union and any other registered society or union, such disputes shall be referred to the Registrar for decision.

A claim by a registered society or union 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 or employee, or a claim for any debt, damage or demand due to a member from a registered society or union from an officer or employee or member, past or present or to any nominee, heir or legal representative of a deceased member, officer or employee from a registered society or union, whether such debt, demand or damage is admitted or not, shall be deemed to be a dispute touching the business of the society or union within the meaning of this subsection.

(2) The Registrar may, on receipt of a reference under subsection (1) —

- (a) decide the disputes himself ; or
- (b) refer it for disposal to an arbitrator or arbitrators.

(3) Any parties that who are unsatisfactory of the decision of the arbitrator or arbitrators, may submit as appeal to the Registrar within thirty days from the date of the decision given. The appeal should be written and contained sufficient reasons. If complainer appealed he shall be deposited ten percent of the value of dispute subject and if accuser appealed he has to deposit ten percent in cash by the decided amount. However the amount deposited should not exceed ten thousand rupees.

(4) No party to any appeal made to the Registrar under subsection (3) above shall be entitled, either by himself or by any representative, to appear before and be heard by the Registrar or such appeal.

(5) A decision of the Registrar under subsection (2) above or in appeal under subsection (3) shall be final and shall not be called in question in any civil court.

(6) The award of the Arbitrator or Arbitrators under subsection (2) above shall, if no appeal is preferred to the Registrar under subsection (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 or union 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.

69. (1) When a decision of the Registrar on a dispute or on an appeal referred or made to him under section 68, hereafter in this section called a “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 one 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 “defaulted”.—

Enforcement of
a decision of
award.

- (a) issue a certificate to a Divisional Secretary, Fiscal or Deputy Fiscal, containing particulars of such sum, together with costs and interest, and the name of the such defaulter ; or
- (b) 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 situate, containing particulars of the sum due together with costs and interest, if any, and the name of the defaulter ; or
- (c) issue a certificate containing particulars of the amount due and the name and the last known place of the business or residents of the defaulter to a Magistrate having jurisdiction in the division in which such place is situate.
- (d) when the defaulter has not paid a sum of money due to be paid which awarded under the section 68 of this statute, notwithstanding any thing to the contrary in any other law Registrar may order to the committee of relevant society or union to recover the such sum of money and other type of money to be paid according to the rules and condition with all other relevant cost and charges by selling any property of the defaulter kept as a security in a public auction.

(2)(a) Where the Registrar issues a certificate under paragraph (a) of subsection (1) to a Divisional Secretary, Fiscal or Deputy Fiscal such offer is hereby empowered and required to cause such sum together with costs and interest to be recovered from the defaulter by seizure and sale of his movable property.

(b) The said seizure shall be effected in such manner as such officer shall deem most expedient in that behalf, and every property so seized shall be kept for five days at the cost and charge of the defaulter. If the defaulter does not pay such sum as is due together with costs and interest, and the cost and charge of seizing and keeping the property, within the said five days the Divisional Secretary, Fiscal or Deputy Fiscal as the case may be, shall cause the said property to be sold by public auction.

(c) The sum realized by the sale shall be applied -

- (i) First, in payment of the cost and charge of seizing, keeping and selling the property ; and
- (ii) Secondly, in satisfaction of the sum of money due together with costs and interest and any balance shall be restored to the owner of the property seized.

(3) Where a certificate is issued to a District Court under paragraph (b) of Subsection (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 section 226 and 297 of the Civil Procedure Code shall, apply to such seizure and sale.

(4) Where a certificate is issued to a Magistrate under paragraph (c) of subsection (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 nor punishable with imprisonment, and provisions of section 291 (except paragraphs (a) and (d) of subsection (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. Any defaulter sentenced to a term of imprisonment in default of the fine imposed in accordance with section 291 of the Code of Criminal Procedure Act, No. 15 of 1979, shall not be absolved from the payment of any sum of money mentioned in the certificate specified in section 69(1) (c).

(5) In an occasion made any decision under paragraph (d) in subsection (1) the management committee of a society or union has the power to be act to charge the above said amount.

(6) Where the Registrar issues a certificate under this section, he shall issue to the defaulter a notification there of personal service, registered post or telegraph; but non receipt of such notification by the defaulter shall not invalidate proceedings under this section.

(7) Nothing in this section shall authorize or require a District Court or Magistrates Court in any proceedings thereunder to consider, examine or decide the correctness of any statement in the certificate of the Registrar.

(8) Any sum realized by a sale under subsection (3) and any sum paid or levied as fine under subsection (4) shall be transmitted by the District Court or Magistrates Court, as the case may be, to the Registrar who shall dispose of such sum in accordance with the relevant decision or award.

Registrar to
decide certain
other matters.

70. (1) Where the application for membership of a registered society or union made by any person is refused by the society or union, 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 or union.

(2) Where any question arises as to whether a member of a registered society or union has been duly elected to any officer in the society or union or whether a member has ceased to be member or officer of the society or union, or whether any general meeting of the society or union had validity held, that question shall be decided by the Registrar whose decision shall be final. The such decision of the Registrar shall be informed to the society or union and binding on the society or union.

CHAPTER XI

RULES

Rules.

71. (1) The Minister 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 subsection (1), such rules may-

- (a) prescribe the conditions to be complied with in applying for the registration of a society or union and the procedure in the matter of such applications;
- (b) prescribe the conditions to be complied with by 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 suspension of membership 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 or union 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 subsection (3) prescribe the maximum number of shares or portion of the capital of a registered society or union 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 or union with unlimited liability, and the maximum rate of dividend which may be paid by societies or union;
- (i) regulate the manner 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 of the members and for the procedure at such meeting and the powers to be exercised by such meetings;
- (k) 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;
- (l) prescribe the matters in respect of which a society or union may or shall make By-Laws, and for the procedure to be followed in making, altering, and rescinding By-Laws, and the conditions to be satisfied prior to such making, alteration or rescission;
- (m) prescribe the accounts and books to be kept by registered society or union, and for the periodical publication of a balance sheet showing the assets and liabilities of a registered society or union;
- (n) provide for the audit of the accounts of registered societies and union and for the charge, if any, to be made for such audit, and provide for the levy of contributions from all or any registered societies or union to a fund to be known as the Uva Provincial Co-operative fund, to be used for the audit and supervision of an assistance to existing societies and unions and co-operative propaganda, for co-operative education and training, and provide for the administration of that fund;
- (o) prescribe the returns to be submitted by a registered societies or unions to the Registrar, and the persons by whom and the form in which the same are to be made and actions to be taken against who fail to submit returns;
- (p) provide for the persons by whom, and form in which, copies of entries in books of registered societies or unions may be certified.
- (q) provide for the formation and maintenance of a register of members, and, where the liability of the members is limited by shares, of a register of shares;
- (r) provide for the formation and the maintenance of reserve funds and the objects to which such funds may be applied, and for the investments of any funds under the control of any registered society or union;
- (s) prescribe the manner in which any question, as to the breach of any By-Law or contract relating to the deposal of produce to or through a society or union, may be determined, and the manner in which the liquidated damages for any such breach may be ascertained or assessed;

- (t) prescribe the mode of appointing an arbitrator or arbitrators, and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the provisions about the money deposited when made an appeal to the Registrar against a decision of the arbitrator or arbitrators and the enforcement of the decisions of the Registrar or the awards of arbitrators;
- (u) prescribe the conditions to be observed by a registered society or union applying for the financial assistance of Government or Provincial Council;
- (v) determine the cases, not expressly provided for in this Statute, in which an appeal shall lie to the Minister against orders made by the Registrar;
- (w) prescribe the procedure to be followed by a liquidator appointed under section 62, and the cases in which appeals shall lie from the orders of such liquidators;
- (x) provide for the establishment and maintenance of the surplus fund referred to in sub-section (3) of section 67 and prescribe the manner and purposes for which the moneys of such funds may be disbursed;
- (y) prescribe the forms to be used, the fees to be paid, the procedure to be observed and all the matters connected with or incidental to the presentation, hearing the disposal of appeals under this statute or the rules made thereunder;
- (z) prescribe the disqualification which wasn't mentioned in this statute, shall not be selected a member for committee of management or member of branch committee in registered society or union;
- (aa) prescribe the procedure to be followed relevant to be enforced the paragraph (e) in Section 69(1) of this statute.

(3) No rules shall have effect unless it has approved by the Provincial Council. Notification of such approval shall be published in the *Gazette*.

(4) Every rule shall, upon the publication in the *Gazette* of the Notification referred to in subsection (3), be as valid and effectual as though it were herein enacted.

CHAPTER XII

DEBTS DUE TO PROVINCIAL COUNCIL OR GOVERNMENT

Recovery of sums due to Government and Provincial Council.

72. (1) All sums due from a registered society or union, or from an officer or member or past member of a registered society or union as such, to the Government or Provincial Council including sums due on Government or Provincial Council loans and Government or Provincial Council guaranteed loans, and any costs awarded to the Government or Provincial Council may be recovered in a manner provided for the recovery of debts due to the Republic by Crown Debtors Ordinance, and shall subject to the provisions of Section 43(2), be entitled to a preference of payment over sums due to any other person or persons.

(2) Sums due from a registered society or union to Government and Provincial Council recoverable under sub-section (1) may be recovered, first from the property of the society or union; secondly in the case of a registered society or union 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, or unions from the members.

CHAPTER XIII

MISCELLANEOUS

73. (1) No person other than registered society or union shall without the sanction of the Minister, trade or carry on business under any name or title of which the word “Eksath Sahakara” or “Samupakara” in Sinhala and “Aikkiya” or “Kootturavu” in Tamil or the word “Co-operative” form part.

Restriction of use of word “Co-operative”

Provided, that nothing in this section shall liable 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 liable on conviction after summary trial by a Magistrate Court to a fine not exceeding five hundred rupees, and in the case of a continuing offence, with a further fine of hundred rupees for each day on which the offence is continued after conviction thereof.

74. (1) Where in the course of an audit under section 51 or an inquiry under section 53 or inspection of books and investigation of affairs of a society or union under section 54, or in the course of the liquidation of a registered society or union, it appears that any sum of money or their 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 his Statute or any other law or rules or regulations made there under or the By-laws to the working rules of the society or financial procedure approved by the Provincial Registrar or any general directions issued by the Provincial Registrar or the Co-operative Employees’ Commission, the Registrar may, of his own motion or upon the application of the committee or the liquidator or any creditor or contributor of the society or union as the case may be, examine the conduct of such person or group of persons or officer or employee and make an order requiring him or such group :—

Registrar may order repayment or restoration of money or their property due to society or union.

- (a) to repay with such interest as the Registrar thinks fit such money or part thereof, or
- (b) to restore such other property or part thereof, or
- (c) to contribute such sum as the Registrar thinks fit to assets of the society or union 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 why such order should not be made.

(2) Where an order under sub-section (1) for the repayment of any sum to a registered society or union, or for the contribution of any sum to its assets by way of compensation, has not been complied with, such sum may be recovered by 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 of 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 a fine only or not punishable with imprisonment, and the provisions of section 291 (except paragraph (a) and (d) of sub-section (1) of that section) of the 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 of any order made by the Registrar.

(3) Neither the proceeding provisions of this section not the making of any order there under may be deemed or construed to preclude or otherwise affect the institution of 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.

Statement of assets.

75. (1) The chairman and every member of the committee of a registered society or union shall make, to the Commissions of Co-operative Development or Registrar, in the prescribed form, an annual declaration of,

- (a) all his assets and liabilities;
 - (b) all the assets and liabilities of his spouse ; and
 - (c) all the assets and liabilities of each of his children,
- as on the Thirty First day of March of the year in respect of which such declaration is made.

(2) The declaration referred to in sub-section (1) shall be made by the Chairman or member of the committee of a registered society or union, to the commissioner of Co-operative Development or Registrar, within three months of his election or appointment, as the case may be, as such chairman or member and unless he ceases to be such chairman or member before the first day of July of every year succeeding the year in which he made his first, declaration. The Registrar shall have the power to revoke their posts, if they failed to produce their statement in prescribed date.

Liability of officers etc., for breach of trust.

76. It shall be lawful of the Registrar, after the accounts of a registered society or union have been audited as provided in section 51 or after an inquiry under section 53 or an inspection of books and investigation of affairs of a registered society or union has been held under section 54, 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, any goods or property, in his capacity as an officer or a member or a servant of the society or union, 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 or balance thereof forthwith or the value of such goods or property or to duly account thereof, he shall be guilty of the offence or 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 three year and shall be liable to a fine of Rupees five Thousand, notwithstanding the such punishment exceed the ordinary jurisdiction of a magistrate.

Registrar may require bank to produce any information

77. Notwithstanding anything in any other written law, the Registrar may, where he considers it necessary to do so;

- (a) to furnish any information regarding the transactions of any registered society or union with the bank,
- (b) to produce a copy showing the account of the society or union with the bank from the ledger kept by the bank, or
- (c) to produce any cheque paid to the credit of the society or union or endorsed by the society or union.

Who may conduct prosecutions.

78. It shall be lawful for an officer of the Department of Co-operative Development to investigate, inquire and conduct prosecutions which fall within chapter XVII of the Code of Criminal Procedures Act, No. 15 of 1979, in respect of any matter involving a registered society or union.

Companies Ordinance and Trade Unions Ordinance not to apply.

79. The provisions of the Companies Ordinance, and of the Trade Unions Ordinance, and of any enactments amending those Ordinances, shall not apply to societies and unions registered under this statute.

80. (1) Where this statute shall be enforced, every society or union registered or deemed to be registered under Co-operative Societies Act, No. 5 of 1972, shall be deemed to be registered under this statute, and the by-laws of such society or union shall, so far as they are not inconsistent with the express provisions of this Statute, continue in force until altered or rescinded.

Savings for existing societies or unions rules, etc.

(2) Where this statute shall be enforced, All rules made under Co-operative Societies Act, No. 5 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 under this law and shall continue in force until new rules are made section 71 in sub-section for these rules.

(3) All appointments and orders made, notifications and notices issued, awards made by arbitrators and decisions made by the Register 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 Act, No. 5 of 1972, shall, so far as may be, be deemed to have been respectively made, issued and instituted and to have arisen under this statute.

81. Where any registered society or union carrying on banking business of any kind has insured its deposits under Part II of Chapter IVB of the Momentary Law Act, the assets relating to the deposits insured under 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.

Assets relating to deposits insured under Monetary Law Act not to be utilized except for meeting liabilities.

82. (1) Every registered society or union or an officer or employee or member thereof which or who Willfully neglect or refuses to do any act or to furnish any information required for the purposes 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 union, or officer or employee of member thereof which or who Willfully makes a false return or furnishes false information, shall be guilty of an offence under this statute.

Penalty for non compliance with this Statute.

(2) Every person who commits any offence referred to in sub-section (1) shall, on conviction after summary trial before a Magistrate, is liable to imprisonment of either description for a period not exceeding two years or to a fine not exceeding Twelve Thousand Rupees, or to both such imprisonment and fine, notwithstanding that such punishment exceed the ordinary jurisdiction of a Magistrate.

(3) Where any offence committed under this statute by a Registered society or union, every officer of this society or union bound by the by-laws or the rules to perform any duty whereof 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.

83. No suit or prosecution shall lie against the Registrar, Deputy, Senior Assistant and Assistant Registrar or who were duly authorized or appointed by the Registrar under this statute for accomplishing the respected duty or any related activities under this statute.

Protection of action of the Registrar and etc.

84. (1) The Registrar, or a person who authorized by him by a general or special order, shall have the power to summon a special general meeting in a registered society or union or special general meeting of a regional general body of such registered society or union in any occasion, manner, time and place as prescribed by him. For such meeting it is sufficient, the presence of Ten out of the members or delegates eligible to be present and vote at a general meeting of a registered society or union and that number shall be deemed to be the quorum. Provided a such general meeting or regional meeting shall have the power of the each general body determined by the by-laws of the society or union.

Power of Registrar to be summoned, presented, address in a general.

(2) The Registrar or a person who obtained a written power by him shall have the power to summon a committee meeting or regional committee meeting of a registered, society or union in any occasion, manner, time and place as prescribed by him. For such meeting it is sufficient, the presence of one fifth of the number of representatives of the committee or Three which is high of the each society or union and it is counted as the quorum. A such committee meeting shall have the power of the each committee determined by the by-laws of the society or union.

(3) The Registrar or a person who obtained a written power by him shall have the power to prescribe the books or documents related to the society or union to be produced, if he thought that they are necessary when summoned for a committee meeting. It is a liability of a secretary of society or union to act according to the orders as such. The Registrar or a person who obtained power by him may preside any meetings summoned under sub-section (1) and (2), but he shouldn't have the power to cash his vote to make decision related to any matter mentioned in agenda in a meeting.

(4) The Registrar or a person who obtained a written power by him by a general or special written order may have the power to participate and verbalize in any general meeting or a committee meeting in a registered society or union. However the Registrar or a person who obtained appropriate power y him shouldn't have the power to cast his vote in a meeting.

Power of Registrar is an occasion of crisis.

85. In an occasion of a crisis which affects the functioning of the business or administration of a society or union the Register may deem a province to be continued the business or administration, until the crisis ceases or he satisfy.

Cancellation of Statute.

86. With enforcing this statute, implementing the below mentioned statues shall be rescinded :-

- (a) Co-operative Societies and Co-operative Employees Commission Statute No. 5 of 1991, of Uva Provincial Council.
- (b) Co-operative Societies and Co-operative Employees Commission (Amendment) Statute No. 5 of 1992, of Uva Provincial Council.

Interpretation.

87. In this statute, unless the context otherwise requires :-

‘By-law’ means the registered by-laws for time being in force and includes a registered amendment of the by-laws.

‘Minister’ means the Minister in charge of the subject of Co-operative of Uva Provincial Council.

‘Secretary of the Ministry’ means the Secretary of the Ministry in charge of the subject of Co-operative of Uva Provincial Council.

‘Registrar’ means the person appointed to perform the duties of the Registrar of Co-operative Societies in the Uva Provincial under this Statute.

‘Committee’ means the governing body of a registered society or union to whom the management of its affairs is entrusted and includes the board of directors of a registered society, or union and persons appointed by the Registrar under section 56 of this statute.

‘Officer’ includes every person who is the president, *vice* president, chairman, *vice* chairman, secretary, treasurer or manager of a society or a union or any branch thereof or a member of the committee of a society or union and any other person who is duly empowered by the rules or by-laws of a society or union to give directions in regard to the affairs of the society or Union.

‘Member’ includes a person joining in the application for the registration of a society or union and a person admitted to membership after registration in accordance with the rules and by-laws.

'Bank means'

- (a) any person or body of persons, corporate or unincorporated, which carries on in Sri Lanka the business of accepting from the public, or of creating, demand deposits;
- (b) any agency or institution acting on behalf of the Government (whether established by any written law or otherwise) which makes loans, advances or investments or accepts deposits of money from the public;
- (c) the Development Finance Corporation established under the Development Finance Corporation of Ceylon Act; and
- (d) any other person or body of persons declared by the Minister in charge of the subject of Finance, in consultation with the Minister in charge of the subject of Co-operative Development, by Order published in the *Gazette*, to be a bank for the purposes of this law.

'Primary society' means a registered society not being a union established with any object, or for any purpose referred to in paragraph (b), (c) or (d) of section 6(1).

'Rules' means rules made or deemed to have been made under this statute.

'Reserve Fund or Constitutional Pool' means a sum or a reserved fund to be used for the continuous existence of any society or union or to be used in a deficiency or operating capital of any society or union.

88. In the event of any inconsistency between the Sinhala and English or Tamil text of this Statute, the Sinhala text shall prevail.

If any
inconsistency
Sinhala text
shall be
influenced.

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