

Act on Cooperative Sector of Economy of the Islamic Republic of Iran (with Amendments)

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Chapter I- Objectives and General Provisions of Cooperative Sector

Article 1- Objectives of Cooperative Sector are as follows:

- 1- To create and secure conditions and opportunities of job for all with a view to attain full employment.
- 2- To place the means of work at the disposal of everyone who is able to work but lacks means.
- 3- To prevent wealth concentration and circulation in the hands of a few individuals or groups aiming at realization of social justice.
- 4- To avoid government turning into a major absolute employer.
- 5- To make management, capital and earned profits available to work force and to encourage them to directly use the outcome of their job.
- 6- To prevent monopoly, hoarding, inflation and harming others.
- 7- To develop and reinforce public participation and cooperation among people.

Note- The objectives set forth in this Article shall be achieved upon observing the requirements of public planning of national economy in each and every stages of growth.

Article 2- The societies that are corporate and registered through observing the provisions of this Act are considered cooperative.

Article 3- The Government is obliged to cooperate with cooperative sector and to provide cooperatives with necessary means and facilities with the collaboration of Ministry of Cooperatives, while observing this Act and within the scope of provisions so as not to create the ground for administration or intervention in cooperatives or for government to become absolute employer.

Article 4- Government and all affiliated organizations, under equal conditions, are obliged to give priority to cooperative sector for implementation of its plans and projects.

Article 5- The articles of association of any cooperative shall contain the following points subject to observing the provisions of the present Act:

Name, accompanied by the word cooperative, objectives, object of society, type, scope of activity, duration, head office and address, capital, membership regulations, constituents, financial and labor regulations, dissolution and liquidation.

Note- The nationality of cooperatives must be Iranian.

Article 6- The minimum and maximum number of members in cooperatives shall be determined in proportion to capital, employment opportunity, nature of activity, and observing the principle of avoiding wealth accumulation and multiplicity through a By-law, to be approved by Ministry of Cooperatives; however, the number of members shall not be less than 7 people.

Article 7- Cooperative companies and unions hold an independent legal entity.

Chapter II - Membership

Article 8- Member of a cooperative society is real person or non-governmental legal entity who has the qualifications stipulated in the present Act and is committed to the objectives of cooperative sector and the legal articles of association of that cooperative.

Note 1- In job generating cooperatives, public grants shall be allocated in proportion to the members employed by that cooperative.

Note 2- Multipurpose cooperatives are authorized to have non-employed member provided that membership is open to all; however, the board of directors and managing director must be elected from working members.

Article 9- Terms and conditions of membership in cooperatives are:

1. Citizenship of Islamic Republic of Iran.
2. Having no legal prohibition and culpability.

3. Buying the least number of shares stipulated in the articles of association.
4. Membership application in writing and undertaking to observe the provisions of cooperative articles of association.
5. Non-membership in similar cooperative.

Article 10- Members are entitled to supervise all cooperative affairs in accordance with provisions of articles of association.

Article 11- All members are bound to carry out duties and responsibilities undertaken by them in the context of rules and regulations.

Article 12- Leaving the membership of cooperatives is optional and no one can prohibit such option.

Note 1- The specialists and expert members of production cooperatives must inform the latter in writing of their intention for resignation at least six month prior to resignation.

Note 2- In case the member's quitting causes losses for cooperative, he/she shall be obliged to indemnify the same.

Article 13- A member is dismissed from cooperative in the following cases:

1. Losing each and every membership qualifications and requirements stipulated in the present Act.
2. Non observing the provisions of articles of association and other legal commitments after two written notices by the board of directors each at a 15 day interval and in 15 days after the second notice upon approval of ordinary general assembly.
3. To commit acts causing material damages to cooperative in such a way that the member would be unable to compensate the same within one year or to commit the actions causing damages to the prestige and reputation of cooperative or to have unsound competition with cooperative.

Note- Application and discretion of the said issues shall be subject to proposal by each of board of directors or inspectors and approval of general assembly.

Article 14- In case of death of the member, his/her heirs-at-law will be considered the member of cooperative subject to having required qualification and undertaking by him/her as to observing the provisions of cooperative, and in case of plurality, they must pay the difference to cooperative for increased share due to the plurality. But if they inform in writing of their will to discontinue membership of cooperative and/or none of them is eligible, then the membership will be nullified.

Note- If the number of heirs exceeds the capacity of cooperative, one or more, as needed by cooperative, will be considered cooperative member (s) by mutual agreement of other heirs.

Article 15- In case of revocation of membership due to death, resignation, dissolution and expel, the share and all legal rights and claims of the member will be assessed and considered among debts of cooperative according to the provisions of articles of association and concluded agreement, and will be payable to the member or to the heir-at-law within three month time after deduction of his/her debts to the cooperative.

Note- In case that the heirs apply to receive the share of the deceased member from the cooperative assets and if mutual accord and /or compromise are not possible, those portion of claims could be assigned to the heirs provided that the very corpus of the assts would be assignable and will not causing any disorder and gross loss to the other members of the cooperative.

Chapter III- Capital

Article 16- The capital of cooperative is the properties and assets, which are at the disposal of the cooperative for cooperative establishment or increment in the previous capital.

Article 17- The cooperatives are societies whose entire capital or a minimum 51% of capital are financed by members of the very cooperative and Ministries, organizations, public corporations and the Government affiliations and/or

organizations run under government supervision, banks, municipalities, state Islamic councils, Mostazafan Foundation and other public institutions may take actions and contribute to financing or increasing the capital of cooperatives, without being a member, in execution of Para 2, Article 43, through interest-free loan or any other lawful and legitimate means and ways such as partnership, bailment (of a capital), leasing a farm, Mosaqaat [a contract for agricultural purposes between the owner of trees and a worker who will share the profit], lease, lease subject to possession, conditional transaction, sales by installment and conveyance.

Note- In case that public organizations enter into partnership in establishment of cooperative societies, the share of government investment shall be gradually repaid, within the period mutually agreed in a side binding contract of society, and the cooperative shall possess 100% of capital.

Article 18- The government may, by observing Articles 43 and 44 of the Constitution, assign the industrial or agricultural or service units and the like out of the public properties at the disposal of cooperatives as follows:

1. To assign the said units on provisional entailment and/or as long as the cooperative is legally existing and the cooperative would be the owner of benefits thereto.
2. In case that the said units have qualified personnel, the latter will have priority as to membership of the envisaged cooperative.
3. The government may, pursuant to contract of depreciation and/or reconstruction or maintenance or development of the said unit, annually receive certain amount in cash or in kind.
4. The government may apply certain rules and regulations as requirement for observing the government policies as to pricing and planning for production and distribution and securing public interests against assigning the said units and the other facilities.

Article 19- Those cooperatives taking not advantage of bank loans in accordance with Interest-Free Banking Transactions Act shall have priority in obtaining governmental loan and grants.

Article 20- All members are equal as to shares and contribution in financing the capital of cooperatives unless the general assembly approves that members to pay additional shares and in this case the minimum and maximum shares must be in the context of the limit which will be determined by the Ministry of Cooperatives in proportionate to the type and number of cooperative members.

Article 21- Each cooperative is considered registered and corporate when at least one third of its capital has been paid and if it is in form of cash and commodity, the former and the latter have already been assessed and submitted.

Note- The members of cooperative are obliged to pay the subscribed and unpaid portion of their shares within the period stipulated in the articles of association.

Article 22- The member (s) of cooperative may assign and transfer their share to other members or new qualified applicants subject to observing the provisions of the present Act.

Article 23- The financial liabilities of members in cooperative societies are limited to the equity shares at their possession unless otherwise stipulated by the contract.

Note- The liabilities of public organizations financing cooperative capital are limited to amount of the capital belonging to them unless otherwise stipulated by the contract.

Article 24- The Government is obliged, for the purpose of achieving objectives stipulated in Articles 43 and 44 of the Constitution and for increasing share of cooperative sector of national economy, to provide necessary conditions and facilities for quantity and quality development of cooperatives, through observing requirements and within the framework of national socio-economic development plan, so as to enable the sector to play an effective role in economic growth and development.

Note 1- For the aforesaid purpose the Government may grant an interest-free loan to the cooperatives by taking advantage of budget resources or banking resources

with governmental guaranty and to sell them, in cash or by installments the necessary movable and immovable properties and equipment and facilities at fair price for establishment and strengthening the cooperatives and/or to let them on lease contract and/or to take action for concluding lease contract subject to possession and/or to transfer the shares of the corporations and institutions belonged and/or affiliated to Government and banks and/or the confiscated or nationalized ones to the cooperatives.

Note 2- Banks are obliged to grant loan and other approved facilities to cooperatives for investment or increase of the capital and/or for strengthening them and may agree that the capitals earned due to loan and the other granted facilities to be deposited to the banks as guaranty and/or collateral and/or lien and/or in cash that cooperative shall not be in position to repay the loan, bank may settle its claims through sales of cooperative properties where the other cooperatives shall have priority in purchasing such properties.

Chapter IV- Profit & Loss Account, Profit Distribution and Other Financial Regulations

Article 25- The net profit of cooperative societies and unions is distributed during each fiscal year as follows:

1. The five percent (5%) minimum or more will be deposited to legal reserve account as cooperative reserve upon approval of ordinary general assembly.

Note 1- Depositing legal reserve is obligatory up to when the total reserves earned due to said revenues reach equal to one fourth of the cooperative capital average of the last three years.

Note 2- Cooperatives may use up to maximum one half of their legal reserves for increasing their capital.

2. The five percent (5%) maximum out of net profit deposited to the relevant accounts as reserve fund pursuant to the proposal of the board of directors

and subject to approval of general assembly and the ways and means of consumption shall be approved by ordinary general assembly.

3. Four percent (4%) out of the net profit shall be deposited to Cooperative Fund as the cooperation and education allotment.
4. Certain percentage out of profit will be allocated for bonus and remuneration of the members, employees, directors and inspectors upon proposal of board of directors and subject to approval of ordinary general assembly.
5. Upon deduction of the said funds from net profits, the remaining portion shall be distributed in a manner that stipulated in the articles of association and conditions included in the contract.

Chapter V- Production & Distribution Cooperatives

Article 26- Production cooperatives include cooperatives operating in the fields of agriculture, farming, livestock, fishing and fish breeding, fisheries, industry, mine, urban and rural and tribal development and the like.

Note- Production cooperatives have priority right in all priorities and supports allocated to cooperatives.

Article 27- Distribution cooperatives include those cooperatives which supply the needs and requirements for production jobs and/or their member consumers within the framework of public interest and for the purpose of decreasing the costs and prices.

Note- Distribution cooperatives dealing with procurement of commodities and housing and the other needs of villagers, tribal families and workers and employees shall enjoy priority as to obtaining goods quotas and governmental and banking protections and the other supports relating to procurement and distribution affairs.

Article 28- Public corporations and institutions and affiliated to government and cooperatives shall consider priority to cooperatives in their transactions.

Note- Cooperatives subject of this Act may include and handle export and import affairs in the subject of their activity.

Chapter VI- Cooperative Constituents

Article 29- The cooperative societies have the following constituents for administrating their affairs:

1. General Assembly
2. Board of Directors
3. Inspector (s)

Part One- General Assembly

Article 30- By virtue of the present Act, general assembly which is the highest authority for decision making and supervision on the cooperative affairs, shall be convened ordinarily or extraordinarily by assembly of cooperative members or their fully empowered representatives and each member shall have only one vote without consideration to number of the shares.

Note 1- Each and every governmental organizations and corporations, banks, state Islamic councils and public organizations which have partnership with or investment in cooperative may have a representative as observer in cooperative for supervision and inspection and participating in the session of general assembly and board of directors.

Note 2- Dissolution, merger or changing certain articles of the cooperative articles of association which are contradictory to the conditions and contracts concluded with the sources for financing credit and grants and different facilities and investment and partnership shall be subject to approval of the aforesaid authorities.

Article 31- The board of founders includes a group of individuals being qualified for membership in cooperative who take action for establishment of cooperative.

Article 32- The duties of the board of founders include:

1. Preparing and proposing the articles of association in accordance with the rules and regulations.
2. Calling and inviting the qualified persons for membership.
3. Convening the first ordinary general assembly for approval and registration of articles of association and appointing board of directors and other duties of ordinary general assembly.

Note 1- After convention of the first official session of ordinary general assembly and appointment of board of directors, the function of the board of founders will be over.

Note 2- Those members who are not in agreement with resolutions of the first meeting of ordinary general assembly as to articles of association may withdraw their membership application during the same session.

Note 3- Cooperative articles of association will be approved by voting of two thirds of the members of the first ordinary general assembly.

Article 33- Ordinary general assembly is convened at least once a year after termination of fiscal year for performing its legal duties.

In emergency cases, the ordinary general assembly could be convened extraordinarily at any time of the year.

Note 1- Sessions of ordinary general assembly will have a quorum at the first turn with the presence of majority of members and if the quorum is not reached, it will be in session for the second turn by any number of members.

Note 2- General assemblies of trans-provincial cooperatives and/or societies whose number of members exceeds five hundred and are dispersed throughout the country could be convened on two-phase basis.

At the first phase, representative (s) of cooperative member will be appointed for various fields of society's activities and at the second phase, general assembly will be convened with the presence of members-elected representatives.

The procedure for appointing representative (s) at the first phase, the scope of authorities and the manner of enforcing their votes at the second phase of general assembly shall be in accordance with a directive to be notified by Ministry of Cooperatives.

Note 3- The procedure on convention of general assembly shall be in accordance with a By-law to be prepared by Ministry of Cooperatives. If the board of directors fails to convene ordinary or extraordinary general assembly at due date, Ministry of Cooperatives will directly take action for convening general assembly.

Note 4- Convention of the meetings and decisions made by general assemblies of cooperatives with more than one hundred members shall necessarily be notified to members through widely-circulated newspapers that are determined by general assembly.

Article 34- Duties and authorities of ordinary general assembly are as follows:

1. To appoint board of directors and inspector (s)
2. To review and to make decision as to balance sheet and profit and loss account and other financial reports of board of directors after hearing report of inspector (s).
3. To determine cooperative policy and program and to approve current budget and investment and credits and applied loans and other financial transaction based on proposal by board of directors.
4. To make decision as to capital increase or decrease within the scope of rules and regulations.
5. To adopt resolutions as to reserves and to pay the profit and revenues surplus and their distribution in accordance with the articles of association.
6. To approve cooperative regulations and internal instructions.
7. To carry out other duties entrusted to general assembly by rules and regulations.
8. To specify the widely-circulated newspaper for society's notices.

9. To make decision as to the membership of cooperative society in corporations and unions and cooperative chambers and share portion and/or annual membership fee payable in accordance with the provisions of the present Act.

Article 35- Extraordinary general assembly is convened for changing certain clauses of articles of association (in the context and to the extent of this Act), decision making as to dismissal or accepting the resignation of board of directors and dissolution or merger of cooperative.

Note 1- Extraordinary general assembly shall be convened at the written request of at least one third of cooperative members and/or absolute majority of board of directors' members and /or inspector (s) subject to attending of at least two thirds of total members of assembly. If the meeting is not convened by attendance of two thirds of the members at the first time, it will have quorum at the second time by half plus one members and at the third time it will be in session by any number of attending members,

Note 2- In case the board of directors does not take action at most within one month as to convening extraordinary general assembly, Ministry of Cooperatives will take measure for convening general assembly.

Part Two- Board of Directors

Article 36- Cooperative affairs is managed according to provisions of articles of association by a board of directors composed of at least three persons and at most seven principal members and of alternate members up to one third of the principal members who are appointed from among members for a period o three years with secret vote. Casting votes for election of principal members will be done at the same session. Those who obtaining majority of votes following the principal members are considered alternate members respectively and reelection of each and every principal and alternate members of the board for two consecutive turns shall be of no restriction.

Note 1- Those who succeed to win two thirds of votes of total cooperative members shall be excluded from prohibition regulations of more than two times stipulated in this Article.

Note 2- Election of principal and alternate members of the board is accomplished with relative majority of general assembly.

Note 3- The board of directors during the first assembly will appoint from among them one person as chairman of the board, one as vice-chairman and one or two person (s) as secretary.

Note 4- In case of resignation, death, legal impediment and repeated unjustified absence of members of board of directors (as stipulated in the articles of association), one of alternate members who have respectively more votes will participate in the board meetings for the remaining terms of office as his/her substitute.

Note 5- Members of the board of directors may receive salary and fringe benefits as approved by general assembly. If a member of the board receives salary from another place, he/she will only receive remuneration from concerned cooperative. The minimum and maximum of salary and allowances of the board of directors and their remuneration and special cases shall be in accordance with a By-law endorsed by Ministry of Cooperatives.

Article 37- Duties and authorities of the board of directors are as follows:

1. To call for convention of general assembly (ordinary/extraordinary).
2. To execute provisions of articles of association and resolutions adopted by general assembly and other relevant regulations.
3. To appoint and dismiss and accept resignation of managing director and to supervise his/her acts and operations and to propose salary of managing director to general assembly.
4. To accept membership application and to make decision as to transfer of members' shares to each other and to receive resignation of any member of the board of directors.

5. To supervise the current expenses of cooperative and to review and control the accounts and to present it to inspector (s) and to duly submit cooperative financial report and balance sheet to general assembly.
6. To adopt and regulate plans and programs and budget and other proposals and to submit the same to general assembly for decision making.
7. To appoint representative from among cooperative members to attend meetings of general assemblies of societies and unions with which the cooperative have partnership.
8. To adopt and prepare cooperative internal instructions and to present to general assembly for approval.
9. To appoint proxy or attorney in order to appear before courts and legal authorities and other organization having right of substitution.
10. To appoint and introduce the signatory (ies) (one or two of the board member (s) together with managing director) for signing contracts and binding documents of cooperative.

Note- The board of directors will perform its duties collectively and none of members of the board of directors shall be entitled to use authorities of the board individually unless for special cases for which the board of directors has granted procuration or representation in writing to this effect. Board of directors may delegate parts of its powers to the managing director by majority three fourths of votes.

Article 38- Board of directors, managing director and inspectors shall have the following qualifications:

1. Citizenship of Islamic Republic of Iran.
2. True belief and commitments in Islam (in cooperatives composed of the religious minorities recognized by the Constitution, practical obligation to their relevant faith).

3. Having information and sufficient experiences for performing tasks relevant to the cooperative.
4. Having no legal prohibition and culpability.
5. Non membership in belligerent groups and non commission of crimes against security or forgery of documents.
6. Clean records for conviction in the courts of law subject to bribery, embezzlement, fraud, treason in trust, deception, forcible detainer of public properties and culpable bankruptcy.

Article 39- The board of directors is obliged, immediately upon appointment, for the purpose of management of cooperative operations and for executing the decisions made by general assembly and the board of directors to elect one qualified person among the cooperative members and/or outsiders for two years as managing director who will carry out his/her function under supervision of the board of directors. The functions and authorities and salary and fringe benefits of the managing director will be in accordance with the regulations to be approved by general meeting based on proposal of board of directors.

Part Three- Inspection

Article 40- The general assembly shall appoint inspector (s), either from real or legal entities, for one fiscal year and their reappointment shall be of no restriction.

Note 1- In case of death or legal impediment an/or resignation of the principal inspector (s), board of directors is obliged, within ten days, to call and invite alternate inspector (s) for the remaining period of term of office with consideration to their priority as to votes rank and order.

Note 2- The remuneration and fringe benefit of the inspector (s) shall be determined by approval of general assembly.

Article 41- The duties of cooperative inspector (s) are as follows:

1. To supervise continuously for the ways and means of cooperative administration and operations and carried out transaction as to their compliance with the provisions of articles of association, and the relevant rules, regulations and instructions.
2. To control the accounts, registers, documentations, financial statements including the balance sheet, profit and loss accounts operations, proposed budget and the report of the board of directors to general assembly.
3. To review the complaint of the members and to present the report to the general assembly and concerned authorities.
4. To advise, in writing, the board of directors and managing director as to the existing violations in management method of cooperative affairs and to apply for removing the defect.
5. To supervise auditing and reviewing audit reports and reporting the result of review to the general assembly and concerned authorities.

Note- The inspector (s) has (have) no right to direct involvement in managing society's affairs but may attend, without having voting right the meeting of the board of director and to express his/her views as to the current issues of cooperative.

Article 42- Should each one of inspectors recognizes that board of directors and/or managing director have committed certain violations in performing the entrusted duties and they ignore their warnings, they must request board of directors to convene general assembly and to consider their report.

Note- In case the board of directors fails to send invitation and to convene extraordinary general assembly within one month after receiving the request of the inspector, it can publish a notice and convene extraordinary general assembly subject of information of Ministry of Cooperatives.

Chapter VII- Cooperative Union

Article 43- Cooperative unions are incorporated by the membership of cooperative societies having similar uniting activities for providing the following objectives entirely or partially:

1. To present educational, cultural and promotional services to member cooperatives in relation with cooperative affairs as well as upgrading scientific, technical, specialized and information levels required by their members and development of cooperative teachings.
2. To present research and study services on the issues needed by member cooperatives and to assist in collecting statistical data, information, and economic and social reports to them and to Ministry of Cooperatives.
3. To assist as to organizing and good performance of affairs and coordination and protection and development of cooperatives operating in their own field of activity.
4. To contribute for establishment of relations and mutual cooperation between cooperatives, between them and people and government and other domestic and international communications.
5. To present administrative, financial, accounting, auditing, inspection, commercial, credit services, establishment of interest-free loan funds and other economic activities required by member cooperatives.
6. To procure common needs, marketing, sales and purchase, and import and export needed by member cooperatives.
7. To present technical, specialized, legal services, to accept the power of attorney delegated by members as to all and any affairs as needed by them, consulting and counseling services and other facilities required by cooperatives.
8. To supervise cooperative commitments as to observing related rules and regulations and to introduce the violators to the concerned legal authorities.

9. To settle dispute and arbitration in the limits relating to cooperatives through mediation amicably and peacefully between cooperative members.

Note 1- Membership in a cooperative union is optional and cooperatives which are not member of unions shall not be deprived of their legal rights.

Note 2- Only one union is established per city for each subject of cooperative activity.

Article 44- The capital of cooperative unions are financed from the shares paid by the member cooperatives (in proportion to the number of cooperative members and the extent of their patronage and using union's services) and increase in capital of union is to be financed through increase of their shares and membership feed payment and other revenues and any decision as to increase or decrease of capital shall be made by approval of two thirds of general assembly members.

Article 45- Each cooperative union shall have the following constituents:

1. General Assembly
2. Board of Directors
3. Inspection Board

Article 46- The general assembly of cooperative union is composed of the representatives of member cooperatives and each cooperative has one vote. Other regulations relating to general assembly shall be the same as stipulated in Part One of Chapter VI.

Note- In cases that the number of union member cooperatives and their volume of transaction are alike, number of each cooperative's representatives shall be determined in proportion to the number of their members, with a composition of members and business volume to be in conformity with the instruction notified by Ministry of Cooperatives.

Article 47- Members of board of directors of cooperative unions are appointed based on proposal of the member cooperatives and approval of general assembly;

however, each cooperative shall have no more than one representative as member of the board of directors.

Article 48- Members of board of directors are appointed for three years and their reelection shall be of no restriction up to one consecutive term of office only. Other duties and authorities relating to the said board of directors mentioned in Chapter VI will be applicable to union board of directors as well.

Article 49- Managing director will be appointed by approval of two thirds majority of the member of board of directors for a period of three years and his/her reelection shall be of no restriction up to two consecutive terms of office.

Managing director has all the executive authorities of union in accordance with the articles of association as to carry out the related rules and regulations and resolutions of general assembly and board of directors and managing the affairs of cooperative union and other duties and powers not entrusted to the constituents of cooperative union.

Article 50- Inspection board is responsible for auditing and inspecting cooperative union. Members of the board are appointed by general assembly of union. The reports of the inspection board shall be approved by absolute majority of the members of the board. Duties and authorities and other relevant regulations in Part Three of Chapter VI will be applicable to inspection board.

Note- Inspection board of unions may perform the inspection functions of member cooperatives based on proposal of member cooperatives general assembly and approval of the union general meeting.

Chapter VIII- Cooperative Establishment and Registration

Article 51- Cooperative societies and unions shall have to submit the following documentation for duly corporation and registration by observing provisions of the present Act upon preparation of plan and its approval in a manner that will be determined in executive By-law.

1. The minutes of establishment of founding assembly and the first general assembly and list of members and elected board of directors and inspectors.
2. The articles of association approved by general assembly.
3. The application for registration in writing.
4. The proposed plan and submission of permit/license issued by Ministry of Cooperatives.
5. The receipt for paying the required payable capital.
6. The call and invitation documentation subject of Para 2 Article 32.

Note- Once accepted, the first board of directors is obliged to take due action for registration of cooperative while meeting the required due formalities.

Article 52- Companies Registration Office is obliged to proceed cooperative registration after receiving the required and necessary documents and papers.

Chapter IX- Merger, Dissolution and Liquidation

Part One- Merger

Article 53- Cooperative societies might be merged subject to approval of extraordinary general assembly according to provisions of executive By-law subject of this Act.

Note- Minutes of extraordinary general assemblies of the merged cooperatives must be submitted to Companies Registration Office along with relevant

documents at most within two weeks an summary of decisions must be informed to all members and creditors.

Part Two- Dissolution and Liquidation

Article 54- Cooperative societies and unions are dissolved in the following cases:

1. Resolution adopted by extraordinary general assembly.
2. Decrease in number of members less than the required quorum provided that the requirement as to the number of members not to be met at most within three months.
3. Expiry date as stipulated in the related articles of association if any duration has been fixed in the articles of association and the general assembly has not extended the period.
4. Activity halted for more than one year with no justifiable excuse.
5. Non observance of relevant rules and regulations after 3 written notification per year by Ministry of Cooperatives in accordance with the related By-law.
6. Bankruptcy in accordance with the related laws.

Note 1- After declaration of dissolution and duly registration in the local registration office, liquidation will be executed in accordance with Commercial Law.

Note 2- In Paras 2, 4 and 5, Ministry of Cooperatives immediately advises the local registration office of cooperative dissolution according to relevant By-law.

Note 3- Declarations by Ministry of Cooperatives on Paras 4 and 5 could be claimed and heard by competent court.

Note 4- All the concessions and properties which are at disposal of and available to cooperative from public resources must be returned upon dissolution of cooperative.

Article 55- In case that the extraordinary general assembly or Ministry of Cooperatives adopts resolution for dissolving the cooperative, within one month, three persons will be appointed and introduced to local registration office in order to take action in accordance with the related law and By-law as to cooperative liquidation proceedings.

Article 56- Should each cooperative be dissolved, it must fulfill all obligations undertaken for acquiring capital and properties and concessions from public and governmental resources and banks and municipality.

Chapter X- Chamber of Cooperatives

Article 57- Cooperative unions and societies may, if required, establish Central Chamber of Cooperatives under supervision of Ministry of Cooperatives in Tehran having branches in provinces and cities for the following purposes:

1. To perform functions and authorities of Chamber of Commerce, Industries and Mines in relation with Cooperative Sector.
2. To perform all affairs entrusted to them by Ministry of Cooperatives according to the By-law.
3. To settle disputes and arbitration within the scope of cooperative affairs on mediation and peaceful basis between members and unions and between cooperative societies and unions.

Note- Each chamber of cooperative enjoys a legal and independent entity and is not dependent upon government in terms of finance and administration and expenses.

Article 58- The constituents of each chamber of cooperatives are as follows:

1. Assembly of Representatives
2. Board of Directors
3. Inspection Board.

Article 59- The cooperative chamber assembly of representative at city level is composed of representatives of unions and representatives of cooperatives with similar nature of activity lacking union with type of activity of the same city, and cooperative chamber assembly of representative at provincial level, composed of chairmen of board of directors of cooperative chambers from cities of the same province and representatives of unions at the cities lacking cooperative chamber and representatives of unions with the same type of activity in the province and assembly of representatives from central chamber of cooperative, composed of chairmen of provinces chamber of cooperatives and representative of unions from provinces with no chamber of cooperative and representatives of national unions which is appointed for a period of three years.

Note 1- Duties of assembly of representatives are as follows:

- a- To review proposals on the articles of association and By-law of cooperative chamber and its authentication for final approval of Cooperative Minister.
- b- To appoint board of directors of cooperative chamber.
- c- To appoint two inspectors for membership in the inspection board.
- d- To approve annual program and budget as proposed by the board of directors.
- e- To review and make decision on balance sheet and other reports presented by board of directors upon receiving opinion of inspection board.
- f- To review reports of inspection board.

Note 2- Number of votes by representatives who are members in assembly of representatives of city cooperative chamber, province cooperative chamber and central chamber of cooperatives shall be determined by Ministry of Cooperatives in proportion to the number of cooperative members and member cooperatives of cooperative unions and chambers.

Article 60- The cooperative chambers board of directors compose of 3 to 7 principal members and two alternate members from among cooperative members who are appointed by assembly of representatives for a period of three years from

agricultural, rural and tribal, industrial, mine, urban and rural development, and distributive cooperatives as far as possible.

Article 61- The duties of board of directors are as follows:

1. To perform required activities in line with the objectives of cooperative chamber in accordance with the articles of associations and relevant By-laws.
2. To run all affairs relating to cooperative chamber and performing all correspondences, communications and financial operations required by the chamber according to its internal By-laws.
3. To execute resolutions by assembly of representatives.
4. To present reports and necessary proposals to assembly of representatives.
5. To elect chairman of the board of directors from among themselves.
6. To elect secretary for cooperative chambers at city and province levels and a secretary general for central chamber of cooperatives in order to carry out the executive affairs.

Note- The board of directors may delegate a part of its authorities to the secretary or secretary general.

Article 62- Board of directors of chamber of cooperatives in every province is obliged to imitate communication and coordination and cooperation between the chambers of the cities in their own provincial jurisdiction and they are bound to cooperate, also board of directors of Islamic Republic of Iran Central Chamber of Cooperatives is obliged to create communication, coordination and cooperation between the chambers in provinces and they are bound to cooperate.

Article 63- Inspection Board composed of three members out of which two persons will be appointed by assembly of representatives and other person by Ministry of Cooperatives and their functions include:

- a. To supervise and inspect continuously as to observing provisions of articles of association and by-laws of chamber of cooperatives and the related rules and regulations.
- b. To audit the accounts, registers, documents, financial statements such as balance sheet, fiscal transaction and to report to the assembly of representatives and Ministry of Cooperatives.
- c. To consider complaints and violations relating to chamber of cooperatives and to report to the concerned authorities.
- d. To present annual and periodical reports to assembly of representatives and Ministry of Cooperatives as to status of cooperative chamber activities and observing rules and regulations and to express comments on board of directors' reports.

Note- Board of directors is obliged to communicate with the inspection board and provide them with the required documents and papers.

Article 64- Financial resources of cooperative chambers are as follows:

1. Receiving membership fee
2. Receiving public, people and council grants, contributions and gifts.
3. Receiving remuneration for consultation, expertise and arbitration within the scope of cooperative affairs through mediation amicably and other services rendered to cooperative societies and unions.

Chapter VI- Ministry of Cooperatives

Article 65- The Ministry of Cooperatives was established to effect supervisory practices of government on implementation of rules and regulations of cooperative sector and supporting cooperative sector.

Note 1- Rural Cooperative Organization, Central Cooperative Organization, Central Mining Cooperative Organization, production and development services supply centers and other offices, organizations and departments which operate in relation to cooperative sector in the Ministries and different organizations are dissolved and all duties, authorities, properties, assets, credit, budget, personnel and other facilities in their possession are transferred to Ministry of Cooperatives and the latter is established by their existing budget and facilities.

The administration and organizational position of Ministry of Cooperatives will not exceed the number of positions of the dissolved organizations and will be determined upon proposal of Minister of Cooperatives and verification of Administrative and Employment Organization within six months (during which the dissolved organizations still continue to carry out their functions as in the past).

Not 2- Cooperative Fund with all its assets and obligations is separated from Ministry of Labor and Social Affairs and annexed to Ministry of Cooperatives for credit activities of cooperative sector, and duties and authorities of its general assembly are transferred to Minister of Cooperatives. Changes in its articles of association will be done if proposed by Minister of Cooperatives and approved by the Cabinet of Ministers.

Article 66- Duties and authorities of Ministry of Cooperatives are as follows:

1. To implement those parts of laws and regulations on cooperative sector, relating to the Government and to supervise good performance of rules and regulations of cooperative sector.
2. To regulate legal bills and by-laws of this Act and articles of associations and by-laws of cooperatives in accordance with this Act.

3. To attract and coordinate the government and public supports, aids and facilities for cooperative sector with the collaboration of relevant executive organizations.
4. To encourage, assist and cooperate in establishment of cooperatives, while attracting cooperation and participation of general public and state Islamic councils.
5. To create the fields of cooperation, coordination and collaboration between cooperatives as well as between cooperative unions or between cooperative sector and other economic sectors.
6. To assist promotional, educational, cultural, technical, scientific, research and industrial activities required for cooperative sector with the collaboration of cooperative unions.
7. To assist cooperative societies and unions in rendering legal, financial, accounting, auditing and other required services.
8. To participate in cooperative international assemblies as the representative of the Government of Islamic Republic of Iran.
9. To perform transactions and to render services required by cooperative sector.
10. To execute cooperative extensional and educational programs for realization and extending various cooperative methods and plans and to publish books and publications required by cooperatives.
11. To guide cooperative officials in legal and financial affairs and to direct them for taking advantage of better methods and systems.
12. To perform statistical and information research and study as to cooperative activities, recognizing their insufficiencies and needs as well as their capabilities and resources in order to utilize in relevant planning.

13. To coordinate technical, administrative, financial and other assistances by concerned organizations if, required, aiming at proper administration of cooperatives.
14. To facilitate development of cooperative activities in production.
15. To provide the means for exporting cooperative productions.
16. To adopt substantial projects in order to pave the ground for materialization of objectives mentioned in Article 43 and 44 of the Constitution of Islamic Republic of Iran.
17. Ministry of Cooperatives, if the breach in the affairs of cooperative societies and unions is proven, may inform competent court of law and the latter must issue the suspension verdict for managers of those cooperative societies and unions if the breach is proven in an extraordinary preliminary hearing. In this case, Ministry of Cooperatives is obliged to appoint individuals, in provisional basis, for convention of general assembly and election of new board of directors.
18. To prevent activities of natural persons or legal entities misusing somehow the name or title of cooperative.
19. To provide necessary facilities as to access of cooperatives to raw materials, equipment and commodities needed by them.
20. To make policies, guidelines and to plan within the scope of regulations and authorities for development and growth of cooperative sector.
21. To provide the required facilities for preparing project, execute, develop, reconstruct and renovate cooperative units and supervising their affairs.
22. To ensure conditions and facilities for investment of cooperative sector in order to establish cooperatives with a priority for producing cooperatives.
23. To adopt plans and to determine ways and means of securing credit aids, within the scope of regulations and authorities, through banks, credit institutes and public contributions to cooperatives.

Note- Money and Credit Council is obliged to grant each year loans and required contributions to cooperatives based on application of Ministry of Cooperatives subject to observing monetary and financial policies of Government.

24. To enter into partnership, to establish, develop commission and invest in cooperatives, also to transfer or assign and sell government shares of producing and distributive units to cooperative sector, while observing provisions of Note of Article 17 of the present Act.
25. To receive the membership of Economic Council, Industries Supreme Council, Money and Credit Council, banks general assemblies, Mines High Council, commissions dealing with export and import at national level and other assemblies subject to agreement of the Cabinet of Ministers.
26. To participate in adoption of national export and import rules and regulations.
27. To cooperate with international scientific, technical and economic institutions and to accept membership of and participation in international organizations, councils and conventions relating to cooperative affairs.
28. To issue the permit/license subject of Para 4, Article 51.
29. To deprive cooperatives, operating in contradiction of rules and regulations of cooperative sector and/or taking measures in violation of the approved articles of association, of their privileges.
30. To establish cooperative in agricultural sector.

Article 67- The executive By-law of this Act shall be prepared by Ministry of Cooperatives within six month and will be approved by the Cabinet of Ministers.

Article 68- In order to supervise the elections in cooperative societies and unions and chamber of cooperatives, a society is established, composed of representatives of Ministry of Cooperatives, Ministry of the Interior, the Judiciary and two representatives from Chamber of Cooperatives (if the Chamber exists) presided by representative of Ministry of Cooperatives.

Note- The executive By-law subject of this Article shall be approved by the Cabinet of Ministers, based on the proposal by Ministry of Cooperatives.

Chapter XII- Other Regulations

Article 69- All cooperative societies and unions are obliged to adjust their own articles of association with this Act and upon verification of Ministry of Cooperatives, to register the changes of their articles of association as cooperative, otherwise they would not enjoy the privileges of cooperative sector and the present Act.

Article 70- The clauses on budgets and credits in Rials and foreign currency, allocated to the dissolved organizations mentioned in Note 1 Article 65, are omitted from existing rules and regulations and are transferred to Ministry of Cooperatives under title of independent credits and budget. Planning and Budget Organization and Currency Technical Committee are obliged, upon establishment of Ministry of Cooperatives, to divide credits relating to the above-mentioned organizations and the part of credits of other executive organizations relating to the activities of cooperative sector and to transfer them to Ministry of Cooperatives at most within a period of one month.

Article 71- All rules and regulations in contradiction to with the provisions of the present Act is considered null and void.

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