

# Co-operative Societies (Amendment) Act 2007

## ACT A1297

An Act to amend the Co-operative Societies Act 1993.

ENACTED by the Parliament of Malaysia as follows:

*Date of Royal Assent: ... .. 11 July 2007*

*Date of publication in the Gazette: ... .. 19 July 2007*

*In force from:.....Not in force yet.*

### **1. Short title and commencement.**

(1) This Act may be cited as the Co-operative Societies (Amendment) Act 2007.

(2) This Act comes into operation on a date to be appointed by the Minister by notification in the *Gazette* and the Minister may appoint different dates for the coming into operation of different provisions of this Act.

### **2. Amendment of long title.**

The Co-operative Societies Act 1993 [*Act 502*], which is referred to as the "principal Act" in this Act, is amended in the long title, by substituting for the words "to promote the development of co-operative societies; and for matters connected therewith" the words "to promote the development of co-operative societies in accordance with the co-operative values of honesty, trustworthiness and transparency in order to contribute towards achieving the socioeconomic objectives of the nation and for matters connected therewith".

### **3. General amendments.**

The principal Act is amended-

(a) in the national language text, by substituting for the words "koperasi berdaftar" wherever appearing the word "koperasi";

(b) in the English language text, by substituting for the words "registered society" and "society" wherever appearing respectively the words "co-operative society";

(c) in the English language text, by substituting for the words "registered societies" and "societies" wherever appearing respectively the words "co-operative societies"; and

(d) by substituting for the words "Registrar General" wherever appearing the words "the Commission".

#### **4. Amendment of section 2.**

Section 2 of the principal Act is amended-

(a) by substituting for the definition of "member" the following definition:

' "member" includes a person or a co-operative society joining in the application for the registration of a co-operative society and who has signed the minutes of the inaugural general meeting of the co-operative society and a person or co-operative society admitted to membership of the co-operative society in accordance with the regulations and its by-laws after registration;";

(b) by inserting after the definition of "Board" the following definition:

' "branch" includes the registered office of the

co-operative society, an office, an agency, an electronic terminal and includes a place set up and maintained for any period of time to carry on the business of the co-operative society';

(c) by substituting for the definition of "deposit" the following definition:

' " deposit" means a sum of money-

(a) received or paid on terms under which it will be repayable, with or without return or interest or at a premium or discount; or

(b) received or paid on terms under which it will be repayable, either wholly or in part, with any consideration in money or money's worth, and such repayment being either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it, regardless whether the transaction is described as a loan, an advance, an investment, a saving, a sale or a sale and repurchase, but does not include money paid *bona fide*-

(i) by way of an advance or a part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is not or are not in fact sold, hired or otherwise provided;

(ii) by way of security for the performance of a

contract or by way of security in respect of any loss which may result from the non-performance of a contract; and

(iii) without prejudice to subparagraph (ii), by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise,

and shall include the money deposited by any person with a co-operative society in a fixed deposit account or a savings account or other deposit account but does not include a share, subscription or specific savings;'

(d) by inserting after the definition of "specific savings" the following definition:

' "specified", where no mode is mentioned, means specified from time to time in writing, and a power to specify includes the power to specify differently for different persons, classes, categories or description of persons;'

(e) by inserting after the definition of "patronage rebate" the following definition:

' "prescribed", where no mode is mentioned, means prescribed from time to time by order published in the *Gazette*, and a power to prescribe includes the power to prescribe differently for different persons, classes, categories or description of persons;'

(f) by inserting after the definition of "dividend" the following

definition:

' "document" has the same meaning as defined in the Evidence Act 1950 [*Act 56*];'

(g) by inserting after the definition of "primary society" the following definition:

' "property" means any movable or immovable property and includes-

(a) any right, interest, title, claim, chose in action, power or privilege, whether present or future, or whether vested or contingent, in relation to any property, or which is otherwise of value;

(b) any conveyance executed for conveying, assigning, appointing, surrendering, or otherwise transferring or disposing of property whereof the person executing the conveyance is proprietor or possessed or wherein he is entitled to a contingent right, either for the whole interest or for any less interest;

(c) any security, including any stock, share, debenture and fund;

(d) any negotiable instrument, including any bank note, bearer note, treasury bill, dividend warrant, bill of exchange, promissory note, cheque and negotiable certificate of deposit;

(e) any mortgage or charge, whether legal or equitable, guarantee, lien or pledge, whether actual or

constructive, letter of hypothecation or trust receipt, indemnity, undertaking or other means of securing payment or discharge of a debt or liability, whether present or future, or whether vested or contingent; and

*(f)* any other tangible or intangible property;';

*(h)* by inserting after the definition of "Executive Chairman" the following definition:

' "honorarium" means a portion of the audited net profit of a co-operative society distributed among some or all of the members of the Board in consideration of their services which would not otherwise be remunerated;';

*(i)* by inserting after the definition of "chief executive officer" the following definition:

' "child" has the same meaning as defined in the Child Act 2001 [*Act 611*];';

*(j)* by inserting after the definition of "corporation" the following definition:

' "credit facility" has the same meaning as defined in the Malaysia Co-operative Societies Commission Act 2007 [*Act 665*];';

*(k)* by inserting after the definition of "by-laws" the following definition:

' "chief executive officer", in relation to a co-operative society, means a person by whatever name

called who, either individually or jointly with one or more other persons is responsible, subject to the authority of the Board, for the conduct of the business and activities of the co-operative society;';

*(l)* by deleting the definition of "Registrar-General";

*(m)* by inserting after the definition of "conviction" the following definition:

' "co-operative society" means an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise which is registered under this Act;';

*(n)* in the definition of "primary society", by substituting for the word "registered" the words "as provided for";

*(o)* in the definition of "tertiary society", by substituting for the word "registered" the words "as provided for";

*(p)* by deleting the definition of "registered society";

*(q)* by inserting after the definition of "prescribed" the following definition:

' "prescribed co-operative society" means a co-operative society prescribed by the Commission by order in writing according to its class, category, type, activity and description;';

*(r)* in the definition of "secondary society", by substituting for the word "registered" the words "as provided for";

(s) by inserting after the definition of "specified" the following definition:

' "Statutory Reserve Fund" means a fund maintained by every co-operative society in pursuant to subsection 57(1) out of the audited net profit of each year;';

(t) by inserting after the definition of "member" the following definition:

' "Minister" means the Minister charged with the responsibility for co-operative societies development;';

(u) by substituting for the definition of "officer" the following definition:

' "officer" in relation to a co-operative society, means a chairman, secretary, treasurer or any other member of a Board and includes-

(a) the chief executive officer;

(b) any person empowered by the Board, regulations or orders or by-laws to give directions in regard to the business of the co-operative society; or

(c) any employee;';

(v) by inserting after the definition of "inaugural general meeting" the following definition:

' "Islamic financing" has the same meaning as defined in the Malaysia Co-operative Societies Commission Act 2007;';

(w) by inserting after the definition of "document" the following definition:

' "Executive Chairman" means the Executive Chairman of the Commission;'

(x) by inserting after the definition of "co-operative principles" the following definition:

' "corporation" has the same meaning as defined in the Companies Act 1965 [*Act 125*];'

(y) by inserting after the definition of "regulations" the following definition:

' "related corporation" means a subsidiary or associate corporation of a co-operative society or an associate corporation of a subsidiary or subsidiaries of a co-operative society;'

(z) by inserting after the definition of "appointment" the following definition:

' "associate corporation" means a corporation where not less than twenty per centum and not more than fifty per centum of the shares of that corporation are held by another corporation, the first-mentioned corporation thereby being an associate corporation of the other corporation;'

(aa) in the definition of "appointment", by deleting the words "by way of election";

(bb) by deleting the definition of "business of financing";

(cc) by substituting for the definition of "co-operative principles"

the following definition:

' "co-operative principles" includes-

(a) voluntary and open membership;

(b) democratic member control;

(c) member economic participation;

(d) autonomy and independence;

(e) education, training and information;

(f) co-operation among co-operative society; and

(g) concern for community;';

(dd) by inserting after the definition of "related corporation"

the following definition:

' "return" includes any form of rental, profit,

dividend or benefit, including any fee or gift, payable

or to be given in relation to any dealing, transaction

or instrument;';

(ee) by inserting after the definition of "secondary society"

the following definition:

' "securities" has the same meaning as defined in

the Securities Commission Act 1993 [*Act 498*];';

(ff) by inserting after the definition of "child" the following

definition:

' "Commission" means the Malaysia Co-operative

Societies Commission established under the Malaysia

Co-operative Societies Commission Act 2007;';

(gg) by inserting after the definition of "Executive Chairman"

the following definition:

' "financial year" means the financial period of business for each co-operative society as provided for in its by-laws;'

*(hh)* in the definition of "surplus funds", by inserting after the word "means" the words ", subject to regulations,"; and

*(ii)* in the definition of "subscription", by substituting for the words "withdrawable on termination of membership" the words "may not be withdrawn except under such conditions as laid down in the by-laws or on a termination of membership".

#### **5. Deletion of section 3.**

The principal Act is amended by deleting section 3.

#### **6. Amendment of section 5.**

Paragraph 5(1)(a) of the principal Act is amended by substituting for the words "one hundred" the word "fifty".

#### **7. Amendment of section 6.**

Subsection 6(2) of the principal Act is amended-

*(a)* in paragraph *(a)*, by deleting the word "and" at the end of the paragraph;

*(b)* by substituting for paragraph *(b)* the following paragraph:

"*(b)* in the case of a primary society, subject to subsection 8(2), minutes of the inaugural general meeting signed by at least twenty-five persons present; or"; and

(c) by inserting after paragraph (b) the following paragraph:

"(c) in the case of a secondary or tertiary society, minutes of the inaugural general meeting signed by all duly authorized persons present."

#### **8. Amendment of section 10.**

Section 10 of the principal Act is amended by substituting for the word "signed" the word "issued".

#### **9. New sections 10A and 10B.**

The principal Act is amended by inserting after section 10 the following sections:

##### **"10A. Holding out as a co-operative society**

(1) No person shall hold himself out as a co-operative society, or represent that he or any other person is carrying on the business of a co-operative society in any form or manner unless he or such other person, as the case may be, is registered under this Act.

(2) Any person who contravenes subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding five million ringgit or to imprisonment for a term not exceeding five years or to both.

##### **10B. Prohibition of the use of the word "*koperasi*", etc.**

(1) No person other than a co-operative society shall trade or carry on any business or dealing under any name or title of which the word "*koperasi*", "*koperatif*", "co-operative

society", or "co-op", or any derivative of these words in any language, or any other words in any language capable of being construed as indicating the carrying on of such business or dealing, in relation to the business or dealing or any part of the business or dealing carried on by the person, or make any representation to such effect in any bill head, letter paper, notice, advertisement or in any other manner whatsoever.

(2) Any person who contravenes subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding five million ringgit or to imprisonment for a term not exceeding five years or to both and shall in addition, be liable to a daily fine of five thousand ringgit for each day during which the offence continues after conviction."

#### **10. Substitution of section 12.**

The principal Act is amended by substituting for section 12 the following section:

#### **"12. Registered name to be displayed**

Every co-operative society shall prominently display at each of its branches-

- (a) the registered name of the co-operative society; or
- (b) with the prior written approval of the Commission, such other name or logo as may be descriptive of the co-operative society."

#### **11. Amendment of section 13.**

Section 13 of the principal Act is amended-

(a) by renumbering the existing section as subsection (1) of that section;

(b) in paragraph (1)(a), by inserting after the words "the regulations" the words "or orders, directives or guideline";

(c) in paragraph (1)(b), by deleting the word "and" at the end of the paragraph;

(d) in paragraph (1)(c), by substituting for the comma appearing after the word "members" a semicolon;

(e) by inserting after paragraph (1)(c) the following paragraphs:

"(d) a list of the members of the Board;

(e) the name of its chief executive officer, if any;

and

(f) a list of officers of the co-operative society concerned with the management of the co-operative society, if any,"; and

(f) by inserting after subsection (1) the following subsection:

"(2) Any co-operative society or officer of the co-operative society who fails to comply with subsection

(1) commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable to a fine not exceeding two hundred thousand ringgit and shall in addition, be liable to a daily fine of one hundred ringgit for each day during

which the offence continues after conviction;

or

(b) in the case of an officer of the co-operative society, be liable to a fine not exceeding two hundred thousand ringgit or to imprisonment for a term not exceeding one year or to both and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction."

## **12. Amendment of section 14.**

Section 14 of the principal Act is amended-

(a) by renumbering the existing section as subsection (1) of that section;

(b) in paragraph 1(b), by deleting the words "and Board";

(c) in paragraph (1)(c), by inserting after the words "financial condition of the co-operative society" the words ", including the minutes of the Board meeting"; and

(d) by inserting after subsection (1) the following subsection:

"(2) Any co-operative society or officer of the co-operative society who fails to comply with subsection

(1) commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable to a fine not exceeding two hundred thousand ringgit and shall in addition, be liable to a daily fine of one hundred ringgit for each day during

which the offence continues after conviction;

or

(b) in the case of an officer of the co-operative society, be liable to a fine not exceeding two hundred thousand ringgit or to imprisonment for a term not exceeding one year or to both and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction."

### **13. Amendment of section 17.**

Section 17 of the principal Act is amended-

(a) by renumbering the existing section as subsection (1) of that section; and

(b) by inserting after subsection (1) the following subsection:

"(2) The Commission may, at any time, require the by-laws of a co-operative society to contain provisions relating to secrecy or permitted disclosures and such by-laws shall, subject to subsection (1), bind the cooperative society and its members."

### **14. New section 17A.**

The principal Act is amended by inserting after section 17 the following section:

#### **"17A. Application of by-laws**

(1) Any by-laws of a co-operative society which are inconsistent with the provisions of this Act shall be void to

the extent of its inconsistency.

(2) Subject to any regulations or orders or directives or guidelines, every co-operative society shall review its by-laws and effect the necessary amendments within two years from the date of coming into operation of this Act, or such further period as approved by the Commission, to ensure its by-laws are consistent with this Act.

(3) Where the co-operative society, after the review or amendment carried out under subsection (2), is of the opinion that its by-laws are consistent or otherwise, the Board of the co-operative society shall notify such fact to the Commission.

(4) Any co-operative society or officer of the co-operative society who fails to comply with subsection (2) commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable to a fine not exceeding two hundred thousand ringgit and shall, in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction; or

(b) in the case of an officer of the co-operative society, be liable to a fine not exceeding two hundred thousand ringgit or to imprisonment for a term not exceeding six months or to both and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after

conviction."

**15. Amendment of section 18.**

Section 18 of the principal Act is amended-

(a) in subsection (3), by substituting for the word "he" the words "the Commission";

(b) by substituting for subsection (4) the following subsection:

"(4) An appeal against the refusal of the Commission to register any amendment of any by-laws may be made to the Minister and such appeal shall be made within three months from the date of such refusal.";  
and

(c) in subsection (6)-

(i) in the national language text, by substituting for the words "dia" and "olehnya" the words "Suruhanjaya" and "oleh Suruhanjaya" respectively; and

(ii) in the English language text, by substituting for the words "he" and "him" the words "the Commission" respectively.

**16. Amendment of section 18A.**

Section 18A of the principal Act is amended-

(a) in subsection (1)-

(i) in the national language text, by substituting for the word "olehnya" the words "oleh Suruhanjaya";  
and

(ii) in the English language text, by substituting for

the words "he" or "him" wherever appearing the

words "the Commission";

(b) in paragraph (1)(a), by deleting the word "or" at the end of the paragraph;

(c) in paragraph (1)(b), by substituting for the full stop at the end of the paragraph the words "; or";

(d) by inserting after paragraph (b) the following paragraph:

"(c) upon the notification made by the Board of a co-operative society under subsection 17A(3), that the by-law of a co-operative society is inconsistent with this Act."; and

(e) in subsection (2) of the English language text, by substituting for the word "his" the word "its".

#### **17. Amendment of section 19.**

The principal Act is amended by substituting for section 19 the following section:

**"19.** (1) No co-operative society shall form, own, acquire or establish a subsidiary except with the prior written approval of the Commission.

(2) No co-operative society shall grant any Islamic financing or credit facility or give any guarantee or undertaking to such financing or facility or transfer of any money or asset in any form to its subsidiaries except with the prior written approval of the Commission.

(3) The Commission may, by a notice in writing, require

any subsidiary of a co-operative society to comply with any requirement as imposed by this Act, regulations or orders or directives or guidelines.

(4) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1) or (2) commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable to a fine not exceeding five hundred thousand ringgit and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction; or

(b) in the case of officer of the co-operative society, to a fine not exceeding five hundred thousand ringgit or to imprisonment for a term not exceeding one year or to both and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction."

#### **18. New section 19A.**

The principal Act is amended by inserting after section 19 the following section:

#### **"19A. Branch of co-operative society or subsidiary**

(1) No co-operative society or subsidiary of a co-operative society shall open any branch in or outside Malaysia without the prior written approval of the Commission.

(2) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1) commits

an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit."

**19. Deletion of section 20.**

The principal Act is amended by deleting section 20.

**20. Amendment of section 22.**

Section 22 of the principal Act is amended-

(a) in the shoulder note, by inserting after the word "share"

the words ", return"; and

(b) by substituting for the words "or subscription" the words

", subscription, return".

**21. Amendment of section 23.**

Section 23 of the principal Act is amended-

(a) in the shoulder note, by inserting after the word "subscription"

the words ", return"; and

(b) by substituting for the words "or subscription" the words

", subscription, return".

**22. Amendment of section 24.**

Section 24 of the principal Act is amended-

(a) in the shoulder note, by inserting after the words "property

and" the words ", return or";

(b) by inserting after the word "share" wherever appearing

the words ", return"; and

(c) by inserting after the words "or interest," wherever

appearing the words "as the case may be,".

**23. Amendment of section 25.**

Section 25 of the principal Act is amended-

(a) in the shoulder note, by substituting for the word "minors" the word "child";

(b) in the national language text, by substituting for the words "orang belum dewasa" wherever appearing the word "kanak-kanak", and

(c) in the English language text-

(i) in subsection (1), by substituting for the word "minors" the word "children"; and

(ii) by substituting for the word "minor" wherever appearing the word "child".

#### **24. Deletion of section 29.**

The principal Act is amended by deleting section 29.

#### **25. Amendment of section 31.**

Section 31 of the principal Act is amended in the shoulder note, by substituting for the word "Representation" the word "Voting".

#### **26. Substitution of section 32.**

The principal Act is amended by substituting for section 32 the following section:

#### **"32. Contracts with co-operative society of member who is a child**

Notwithstanding paragraph 26(b), a child duly admitted as a member of any co-operative society may execute any instrument or give any acquittance necessary to be executed or given under this Act or regulations, and his status as a child shall not be a ground for invalidating or avoiding any contract entered into by him with the co-operative society,

whether as principal or as surety, and shall be enforceable at law."

**27. New section 34A.**

The principal Act is amended by inserting after section 34 the following section:

**"34A. Liability of member limited by subscription or shares**

(1) Subject to subsection (2), the liability of a member, present or past, of a co-operative society shall extend to the nominal value of any share held, or subscribed for, by him.

(2) Where in the by-laws of a co-operative society the amount of the liability of a member is expressed to be greater than the nominal value of any share held or subscribed for by him, then the liability of the member shall extend to such greater amount."

**28. Amendment of section 35.**

Subsection 35(1) of the principal Act is amended, by inserting after the words "for the debts of the co-operative society" the words ", within the limitation provided in section 34A,".

**29. Amendment of section 36.**

Section 36 of the principal Act is amended by inserting after the word "regulations" the words "or directives or guidelines".

**30. Amendment of section 37.**

Section 37 of the principal Act is amended by substituting for the words "Every co-operative society" the words "Unless the Commission otherwise specifies, every co-operative society".

**31. Amendment of section 38.**

The principal Act is amended by substituting for section 38 the following section:

**"38. Inaugural general meeting**

(1) The inaugural general meeting of a proposed co-operative society shall be held by its proposed members to-

(a) agree on the submission of the application of the co-operative society to be registered;

(b) adopt the proposed by-laws;

(c) elect the members of the Board; and

(d) carry out such other matter as may be required by its by-laws or the Commission.

(2) The inaugural general meeting provided in subsection

(1) shall have all the powers similar as in the annual general meeting under section 39 and the members shall have the same rights at the inaugural general meeting as provided for under the regulations and by-laws."

**32. Amendment of section 39.**

Section 39 of the principal Act is amended-

(a) by renumbering the existing section as subsection (1) of that section;

(b) in subsection (1), by inserting after the words "after the close of each financial year" the words "or such longer period as may be approved by the Commission"; and

(c) by inserting after subsection (1) the following subsection:

"(2) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit."

### **33. Amendment of section 40.**

Section 40 of the principal Act is amended in subsection

(2)-

(a) in the national language text, by substituting for the word "diarahkannya" the words "diarahkan oleh Suruhanjaya"; and

(b) in the English language text, by substituting for the word "he" the words "the Commission".

### **34. Substitution of section 42.**

The principal Act is amended by substituting for section 42 the following section:

#### **"42. Board of co-operative society**

Subject to the regulations or orders or directives or guidelines, every co-operative society shall have a Board, which shall consist of not less than six and not more than fifteen members duly appointed at the annual general meeting."

### **35. New section 42A.**

The principal Act is amended by inserting after section 42 the following section:

#### **"42A. Internal Audit Committee**

(1) The Board shall establish an Internal Audit Committee consisting of not less than three and not more than five members duly appointed by the Board.

(2) The duties and responsibilities of the Committee shall be provided in the by-laws.

(3) For the purpose of this section, the word "officer" as defined in section 2 does not include members of the Internal Audit Committee."

#### **36. Amendment of section 43.**

The principal Act is amended by substituting for section 43 the following section:

#### **"43. Eligibility for appointment to the Board**

(1) No person shall be eligible to be appointed to the Board or remain as a member of the Board of a co-operative society if he has been-

(a) convicted for an offence under this Act; or

(b) dismissed as an officer of a co-operative society.

(2) Notwithstanding subsection (1) and subject to any directives or guidelines as the Commission may specify, a co-operative society shall, prior to the appointment or reappointment of any person as a member of the Board, seek verification from the Commission on whether such person satisfies the fit and proper criteria as may be specified by the Commission.

(3) Upon verification that such person has satisfied the

fit and proper criteria under subsection (2), the co-operative society may appoint or re-appoint such person as a member of its Board.

(4) From the third year of registration of a co-operative society, no person shall be appointed to be a member of the Board of such co-operative society unless he has been a member of such co-operative society for a minimum period of two years.

(5) Subsection (4) shall not apply to a co-operative society with fifty or less members and to a school co-operative society."

### **37. Amendment of section 44.**

The principal Act is amended by substituting for section 44 the following section:

**"44.** (1) The Board of a co-operative society shall represent the co-operative society before all competent public authorities and in all dealings and transactions with third persons, shall have power to institute or defend suits brought in the name of the co-operative society and, in general, shall direct, manage and supervise the business or activities, the funds and the property of the co-operative society, and shall exercise all the necessary powers to ensure the full and proper administration and management of the affairs, business or activities of the co-operative society including, and notwithstanding the generality to the above, the business or activities of the co-operative society as required under the regulations, except

those powers reserved for the general meeting of members or delegates.

(2) Any member of the Board of a co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit."

**38. New sections 44A and 44B.**

The principal Act is amended by inserting after section 44 the following sections:

**"44A. Disclosure of interest in Islamic financing or credit facility by members of the Board or chief executive officer**

(1) Every member of the Board or chief executive officer, if any, of a co-operative society who has in any manner whatsoever, whether directly or indirectly, any interest in a proposed Islamic financing or credit facility to be given to any person by such co-operative society shall as soon as practicable declare in writing the nature of his interest, to a duly constituted meeting of members of the Board, and the secretary of the co-operative society, if any, or other officers appointed by the co-operative society for that purpose, shall cause a copy of such declaration to be circulated immediately to every member of the Board regardless whether he was present or not at such meeting.

(2) For the purpose of subsection (1), a general notice in writing served on each of the member of the Board of a co-operative society referred to in that subsection by a member of the Board of a co-operative society to the effect

that he has an interest in an Islamic financing or credit facility which, after the date of the notice may be granted to that person shall be deemed to be sufficient declaration of interest in relation to an Islamic financing or credit facility so granted if-

(a) it specifies the nature and extent of interest in that person; or

(b) at the time the Islamic financing or credit facility is granted, his interest is not different in nature or greater in extent than is specified in the notice.

(3) Any member of the Board or chief executive officer of a co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding five hundred thousand ringgit or to imprisonment for a term not exceeding six months or to both.

#### **44B. Disclosure of conflict of interest by members of the Board and chief executive officer**

(1) A member of the Board or chief executive officer, if any, of a co-operative society, who holds an office or possesses a property by which, whether directly or indirectly, a duty or an interest may arise in conflict with his duty or interest as a member of the Board or chief executive officer, shall declare the fact, nature and extent of the conflict which may arise at the first meeting of the Board held-

(a) after he becomes a member of the Board or chief executive officer, of a co-operative society; or

*(b)* if he is already a member of the Board or chief executive officer of a co-operative society, after he commences to hold office or to possess the property by which the conflict may arise.

(2) Any member of the Board or chief executive officer of a co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding five hundred thousand ringgit or imprisonment for a term not exceeding six months or to both."

### **39. Amendment of section 45.**

Section 45 of the principal Act is amended-

*(a)* in subsection (1), by inserting after the word "regulations," the words "orders or";

*(b)* in subsection (2), by inserting after the word "regulations" the words ", orders";

*(c)* in subsection (3), by substituting for the word "manager" the words "chief executive officer"; and

*(d)* by inserting after subsection (3) the following subsection:

"(4) Any member of the Board of a co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit."

### **40. Amendment of section 46.**

Section 46 of the principal Act is amended-

(a) in the shoulder note, by deleting the words "and Internal Audit Committee";

(b) in subsection (1), by deleting the words "or the Internal Audit Committee"; and

(c) in subsection (3), by deleting the words "or a member of the Internal Audit Committee of a co-operative society".

**41. Deletion of section 49.**

The principal Act is amended by deleting section 49.

**42. Amendment of section 50.**

Section 50 of the principal Act is amended-

(a) in paragraph (c), by deleting the word "capital";

(b) by substituting for paragraph (e) the following paragraph:

"(e) subject to subsection 52(1) or regulations, deposits or loans from members and with the approval from the Commission, from persons who are not members of the co-operative society;" and

(c) in paragraph (g), by inserting after the word "prior" the word "written".

**43. Substitution of section 51.**

The principal Act is amended by substituting for section 51 the following section:

**"51. Islamic financing or credit facility by co-operative society**

(1) No co-operative society shall grant any Islamic financing or credit facility except to its members, its

employees including the chief executive officer as provided in their schemes of service, its subsidiary as provided under subsection 19(2), or another co-operative society as may be approved by the Commission, and such Islamic financing or credit facility shall be subject to the directives or guidelines issued by the Commission and by-laws of the co-operative society.

(2) Subsection (1) shall not apply to a co-operative society that is permitted to grant any Islamic financing or credit facility given-

(a) in the course of its business as provided in any other written law governing its operations; or

(b) in accordance with its by-laws.

(3) The Commission may, by order, prohibit or restrict the lending of money on a charge or mortgage of immovable property by any co-operative society or class, category or description of co-operative society."

#### **44. Substitution of section 52.**

The principal Act is amended by substituting for section 52 the following section:

#### **"52. Restriction on borrowing**

(1) A co-operative society may accept deposits and borrow funds from its members.

(2) Subject to section 52A and regulations, a co-operative society may borrow funds from persons who are not members of that co-operative society.

(3) A co-operative society shall notify its members of its borrowings under subsection (1) at its annual general meeting.

(4) Any co-operative society who fails to comply with this section commits an offence and shall, on conviction, be liable to a fine not exceeding five hundred thousand ringgit."

**45. New section 52A.**

The principal Act is amended by inserting after section 52 the following section:

**"52A. Restrictions on deposits from non-members**

(1) A co-operative society shall not accept deposits from persons who are not members of that co-operative society except as provided in the regulations.

(2) Any co-operative society who contravenes subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding five hundred thousand ringgit."

**46. Amendment of section 53.**

Section 53 of the principal Act is amended-

(a) by renumbering the existing section as subsection (1) of that section;

(b) in subsection (1), by substituting for the word "prescribed" the words "set out"; and

(c) by inserting after subsection (1) the following subsection:

"(2) Any co-operative society or officer of the

co-operative society who fails to comply with subsection

(1), commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable

to a fine not exceeding two hundred thousand

ringgit; or

(b) in the case of an officer of a co-operative society, be

liable to a fine not exceeding two hundred thousand

ringgit or to imprisonment for a term not exceeding

six months or to both."

#### **47. Amendment of section 54.**

The principal Act is amended by substituting for section 54

the following section:

"**54.** (1) Subject to its by-laws, a co-operative society may

invest its surplus funds in-

(a) any securities issued by the Government of Malaysia,

Bank Negara Malaysia or any other securities approved

by the Commission; or

(b) shares of any other co-operative society.

(2) Unless otherwise provided in the regulations, no

co-operative society shall invest its surplus funds in-

(a) bonds or debentures of any other co-operative

society;

(b) the securities of any company or any body corporate

registered in Malaysia, other than those specified in

subsection (1);

(c) its subsidiaries; or

*(d)* any other manner as may be specified by the Commission.

(3) Any co-operative society or officer of the co-operative society who fails to comply with subsection (2) commits an offence and shall, on conviction-

*(a)* in the case of a co-operative society, be liable to a fine not exceeding one million ringgit; or

*(b)* in the case of an officer of the co-operative society, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both."

**48. New section 54A.**

The principal Act is amended by inserting after section 54 the following section:

**"54A. Investment in immovable properties**

(1) Unless otherwise provided in the regulations and subsection (2), no co-operative society shall acquire, hold or invest in any immovable property.

(2) Subsection (1) shall not apply to a co-operative society where-

*(a)* holding of an immovable property is for the satisfaction of a debt of a member to the co-operative society;

*(b)* its business involves the acquisition, investment in or sale of immovable property;

*(c)* the acquiring, holding or investing of an immovable property is necessary for the purpose of conducting its

business; or

*(d)* it provides housing or other amenities for its employees which are set out in their schemes of service.

(3) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction-

*(a)* in the case of a co-operative society, be liable to a fine not exceeding one million ringgit; or

*(b)* in the case of an officer of the co-operative society, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both."

#### **49. Amendment of section 55.**

Section 55 of the principal Act is amended-

*(a)* in subsection (3), by substituting for the words "paragraph (1)(a)" the words "subsection (1)"; and

*(b)* in subsection (4), by substituting for the words "but which may" the word "except".

#### **50. Amendment of section 57.**

Section 57 of the principal Act is amended-

*(a)* by substituting for subsection (1) the following subsection:

"(1) Every co-operative society shall-

*(a)* maintain a Statutory Reserve Fund; and

*(b)* before declaring any dividend from its audited

net profits of each year, after due provision is made for taxation, transfer to its Statutory Reserve Fund out of the audited net profits of each year-

(i) a sum equal to not less than twenty-five per centum of the audited net profits of that year, so long as the amount of the Statutory Reserve Fund is less than fifty per centum of its shares and subscription;

or

(ii) a sum equal to not less than fifteen per centum of the audited net profits of that year, so long as the amount of the Statutory Reserve Fund is fifty per centum but less than one hundred per centum of its shares and subscription.";

(b) by inserting after subsection (1) the following subsections:

"(1A) Notwithstanding subsection (1), the Commission may from time to time specify a different portion of the audited net profits of each year, being either lesser or greater than the portions specified in subsection (1), to be transferred to the Statutory Reserve Fund of a co-operative society for the purpose of ensuring that the amount of the Statutory Reserve Fund of such co-operative society is sufficient for

the purpose of its business and adequate in relation to its liabilities.

(1B) Notwithstanding subsection (1), the Statutory Reserve Fund may be applied-

*(a)* subject to regulations or by-laws, for the payment of shares or subscription withdrawn by members of co-operative society; or

*(b)* with the approval of the Commission and subject to such terms and conditions as the Commission may impose, in issuing bonus shares to members of a the co-operative society.

(1C) Nothing in this section shall authorize a co-operative society to pay dividends out of the Statutory Reserve Fund.

(1D) The Statutory Reserve Fund shall be indivisible and no member shall be entitled to claim a specific share of it.

(1E) The Statutory Reserve Fund shall be maintained in a separate account and shall be invested in the Co-operative Deposit Account as referred to in the Malaysia Co-operative Societies Commission Act 2007.";

*(c)* in subsection (2)-

*(i)* by inserting after the words "each financial year," the words "before declaring any dividend"; and

(ii) by substituting for the words "the Minister" the words "the Commission";

(d) in subsection (5)-

(i) in paragraph (a), by deleting the words "and return on deposits";

(ii) by substituting for paragraph (b) the following paragraph:

"(b) the payment of dividend, on the shares and subscriptions of members of the co-operative society as may be specified by directives or guidelines:

Provided that, payment of dividend from any source other than the audited net profit for that financial year shall not be made except with the prior written approval of the Commission which shall not in any case exceed such maximum rate as may be specified in the directives or guidelines;"

(iii) in paragraph (c), by substituting for the words "approved by the Registrar General;" the words "recommended by the annual general meeting and approved by the Commission; or"; and

(iv) by substituting for paragraph (d) the following paragraph:

"(d) the payment for the welfare of its members

and the community."; and

(e) in subsection (6), by deleting the words "return on deposits or".

#### **51. Amendment of section 58.**

Section 58 of the principal Act is amended by inserting after subsection (5) the following subsection:

"(6) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1), (2), (3) or (4) commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit and shall, in addition, be liable to a daily fine not exceeding five hundred ringgit for each day during which the offence continues after conviction."

#### **52. Amendment of section 59.**

Section 59 of the principal Act is amended-

(a) in paragraph (1)(a), by substituting for the words

"a statement of sources and application of funds" the

words "and any statement as may be determined by the

Commission,";

(b) in paragraph (1)(c), by inserting after the words "if any;"

the word "and";

(c) in paragraph (1)(d), by substituting for the words "; and"

at the end of that paragraph a full stop;

(d) by deleting paragraph (1)(e);

(e) by inserting after subsection (2) the following

subsection:

"(2A) All the Commission's observations that have

financial effect on the co-operative society's audited accounts and balance sheet shall be adjusted accordingly by the co-operative society and clearly shown in the audited accounts of the co-operative society in the next financial year.";

*(f)* in paragraph (3)(b), by substituting for the words "the amount" the words "the rate and amount";

*(g)* by inserting after paragraph (3)(b) the following paragraph:

"*(ba)* the issuance of bonus shares, if any, and the criteria, therefor;"

*(h)* in paragraph (3)(e), by deleting the word "and" at the end of that paragraph;

*(i)* in paragraph (3)(f), by substituting for the full stop at the end of the paragraph the words "; and";

*(j)* by inserting after paragraph (3)(f) the following paragraph:

"*(g)* whether all adjustments pursuant to subsection 59(2A) have been carried out accordingly.";

and

*(k)* by inserting after subsection (5) the following subsection:

"(6) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1), commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred

thousand ringgit and shall, in addition, be liable to a daily fine of five hundred ringgit for each day during which the offence continues after conviction."

**53. Amendment of section 60.**

Section 60 of the principal Act is amended by substituting for subsection (1) the following subsection:

"(1) Every co-operative society shall cause its accounts to be audited once at least in every financial year by-

(a) an auditor approved by the Commission; or

(b) an officer of the Commission."

**54. Amendment of section 61.**

Section 61 of the principal Act is amended-

(a) in subsection (1), by inserting after the words "as may be prescribed" the words "and subject to such terms and conditions as it deems fit"; and

(b) by substituting for subsection (3) the following subsection:

"(3) The approval for the appointment of the auditor under subsection (1) may be revoked if in the opinion of the Commission, the audit conducted by such auditor is not satisfactory."

**55. Amendment of section 62.**

Section 62 of the principal Act is amended-

(a) in paragraph (a), by deleting the words "for a sum which exceeds ten thousand ringgit";

(b) by inserting after paragraph (a) the following

paragraph:

"(aa) he is a member of the co-operative society or a spouse to the officer of the co-operative society;" and

(c) in paragraph (e), by inserting after the words "he has been" the words "compounded or".

#### **56. Amendment of section 63.**

Section 63 of the principal Act is amended by inserting after subsection (5) the following subsection:

"(6) Any auditor who fails to comply with this section commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit or to imprisonment for a term not exceeding one year or to both."

#### **57. Amendment of section 64.**

Section 64 of the principal Act is amended-

(a) by inserting after the words "specially in writing," the words "may inspect, with or without notice, any co-operative society and for the purpose of such inspection";

(b) by substituting for the words "subsidiary" wherever appearing in that section the words "related corporation";

(c) by substituting for the full stop appearing at the end of that section a colon; and

(d) by inserting after section 64 the following proviso:

"Provided that, so far as is consistent with the conduct of the inspection, such books, accounts,

documents, securities and cash shall not be required to be produced at such times or at such places as may interfere with the proper conduct of the normal daily business of that co-operative society or its related corporation."

**58. Amendment of section 65.**

The principal Act is amended by substituting for section 65 the following section:

"65. (1) If, in the course, of or consequent upon an inspection under section 64, it appears that an offence under this Act, the regulations or orders, has been committed, the Commission or its officer authorized by the Commission in writing to make such inspection may enter any premises belonging to or occupied by the co-operative society or such other place which is believed would assist the inspection or investigation and may seize and detain any books, accounts, documents, securities and cash of the co-operative society which may furnish evidence of an offence under this Act, the regulations or orders, where in the opinion of the Commission or its authorized officer-

(a) the inspection of such books, accounts, documents, securities and cash, the copying of them, or the making of extracts from them, cannot reasonably be undertaken without seizing or detaining them;

(b) such books, accounts, documents, securities and cash may be interfered with or destroyed unless seized or

detained; or

(c) such books, accounts, documents, securities and cash may be needed as evidence in any legal proceedings, whether civil or criminal, which may be instituted under or in connection with this Act, the Malaysia Co-operative Societies Commission Act 2007 or any other written law.

(2) No co-operative society or officer of the co-operative society shall-

(a) fail to-

(i) allow access to;

(ii) give possession of; or

(iii) produce,

its books, accounts, documents, securities or cash; or

(b) fail to give information or facilities,

as provided by this section.

(3) Any co-operative society or officer of the co-operative society who fails to comply with subsection (1) or (2) commits an offence and shall, on conviction-

(a) in the case of a co-operative society, be liable to a fine not exceeding one million ringgit; or

(b) in the case of an officer of the co-operative society, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both."

**59. Amendment of section 66.**

Section 66 of the principal Act is amended by substituting for subsections (1) and (2) the following subsections:

"**66.** (1) The Commission may, whether or not, consequent upon an inspection under section 64 or audit under section 60, hold an inquiry or direct any person authorized by the Commission by order in writing on his behalf to hold an inquiry into the constitution, working and financial position of the co-operative society and its related corporations, if any.

(2) For the purpose of an inquiry under subsection (1), the Commission or the authorized person referred to in subsection (1) may summon any person, which the Commission or the authorized person has reason to believe, has knowledge of any of the affairs of the co-operative society and may examine such person on oath and may require any person to produce or surrender any books, accounts and documents in his custody belonging to the co-operative society and its related corporation, if any, if the Commission or such authorized person has reason to believe that such books, accounts and documents may furnish evidence of an offence under this Act, regulations or orders."

**60. Substitution of section 69.**

The principal Act is amended by substituting for section 69 the following section:

**"69. Action by the Commission in respect of co-operative society in certain circumstances**

(1) The Commission after exercising its powers under section 64 or 66, as the case may be, and where the Commission is satisfied that a co-operative society-

(a) is carrying on its business in a manner detrimental to the interests of the co-operative society, its members, its depositors, the co-operative society sector or the public generally;

(b) is insolvent, or has become or is likely to become unable to meet all or any of its obligations, or is about to suspend payment to any creditors; or

(c) has contravened any provision of this Act or the Malaysia Co-operative Societies Commission Act 2007, or any condition of its registration under section 7 or any written law, regardless that there has been no criminal prosecution in respect thereof,

the Commission may, by order in writing, exercise any one or more of the following powers, as the Commission deems necessary:

(i) require the co-operative society to take any steps, or any action, or to do or refrain from doing any act or matters, in relation to the co-operative society, or its business or activities, or its officers;

(ii) prohibit a co-operative society from extending any further Islamic financing or credit facility for such period as may be set out in the order, and make the prohibition subject to any conditions as the Commission may

impose, and by further order similarly made, extend the aforesaid period;

(iii) remove any officer of the co-operative society if it is in the interest of the co-operative society for the Commission so to do, but no person shall be so removed without giving him an opportunity to be heard and any vacancy created by such removal shall be filled in the manner provided in the by-laws of the co-operative society;

(iv) notwithstanding section 42-

(A) suspend or remove from office any member of the Board of the co-operative society; or

(B) appoint any person or persons as a member of the Board of the co-operative society, and provide such person or persons to be paid by the co-operative society any remuneration; or

(C) dissolve the Board of the co-operative society;

(v) appoint a person to advise the co-operative society in relation to the proper conduct of its business or activities, and provide in the order for such person to be paid by the co-operative society any remuneration; or

(vi) freeze the accounts of the co-operative society held in other co-operative society or banks to prevent losses or misuse of its funds.

(2) Where any of the circumstances set out in paragraph

(1)(a), (b), or (c) exists in respect of a co-operative society, the Commission may, whether or not it had exercised any of its powers under subparagraphs (1)(i), (ii), (iii), (iv), (v) or (vi) by order published in the *Gazette*-

(a) for the Commission or any person appointed by the Commission to assume control-

(i) of the whole of the property, business, activities and affairs of the co-operative society, and carry on the whole of its business, activities and affairs; or

(ii) any part of the property, business, activities and affairs of the co-operative society, and carry on such part of its business, activities and affairs; and

(b) for the costs and expenses of the Commission, or the remuneration of the person appointed under subsection (1), to be payable out of the funds and properties of the co-operative society as a first charge; or

(c) to order the dissolution of the co-operative society.

(3) An order of the Commission under subsection (1) or (2) may, from time to time, be modified, amended, varied or replaced either prospectively, or where it is practicable or unjust to do so, retrospectively, by a further order under subsection (1) or (2), as the case may be.

(4) Any person aggrieved by the order of the Commission

made under subparagraph (1)(i), (ii), (iii), (iv), (v) or (vi) may, within twenty-one days of the making of such order, appeal to Minister, who shall confirm or set aside such order and the decision of the Minister shall be final and conclusive.

(5) Any co-operative society or officer of the co-operative society who fails to comply with subparagraph (1)(i) or (ii) commits an offence and shall, on conviction, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both.

(6) For the purposes of this section and section 69C

"appointed person" means person appointed by the Commission, to act on its behalf, to assume control under paragraph (2)(a)."

**61. New sections 69A, 69B, 69C and 69D.**

The principal Act is amended by inserting after section 69 the following sections:

**"69A. Provisions in relation to appointment under section 69**

(1) A person appointed by the Commission under subparagraph 69(1)(iv)(B) or paragraph 69(2)(a) shall manage the affairs of the co-operative society until the new Board has been elected under the by-laws of the co-operative society or, if the order made under subsection 69(1) is set aside by the Minister under subsection 69(4).

(2) A person appointed by the Commission under subparagraph 69(1)(iv)(B), subparagraph 69(1)(v) or

paragraph 69(2)(a) shall be appointed for a period not exceeding two years, but may be reappointed for three further consecutive periods not exceeding one year each, and shall, during such period of appointment or reappointment, hold his appointment or reappointment at the discretion of the Commission.

(3) The terms and conditions of an appointment referred to in subsection (1) shall be determined by the Commission and shall be binding on the co-operative society concerned.

(4) The appointment of a member of the Board of a co-operative society under subsubparagraph 69(1)(iv)(B) shall not affect any provision of the by-laws enabling the co-operative society to have further members of the Board where the maximum number of members of the Board allowed under section 42 has not already been reached or exceeded by the appointment.

(5) A person appointed under subsection (1) shall not be liable to the co-operative society or incur any obligation to any member thereof or to any person for any act done by him in good faith, solely by reason of his holding such appointment.

**69B. Provisions in relation to removal from office under subparagraph 69(1)(iii) or subsubparagraph 69(1)(iv)(A)**

(1) Any person removed from office under subparagraph 69(1)(iii) or subsubparagraph 69(1)(iv)(A) shall cease to hold the office from which he is removed with effect from the date set out in the order, and shall not thereafter hold any

other office in that co-operative society or, in any manner, whether directly or indirectly, be concerned with, or take part, or engage in, any business, activities or affairs in relation to that co-operative society.

(2) Any officer of the co-operative society who fails to comply with subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both and shall, in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction.

**69C. Provisions in relation to assumption of control under paragraph 69(2)(a)**

(1) Where control of a co-operative society has been assumed pursuant to an order under paragraph 69(2)(a), the co-operative society and its officers shall submit its property, business, activities and affairs to such control, and shall provide the Commission and, if the control is assumed by appointed person under paragraph 69(2)(a), to such appointed person, all such facilities as may be required to carry on the business, activities and affairs of the co-operative society.

(2) Throughout the period of control of a co-operative society pursuant to an order under paragraph 69(2)(a), there shall be vested in the Commission, or in the appointed person, as the case may be, all the powers of the co-operative society and its members and of members of its Board, under

the by-laws of the co-operative society, or exercisable by the co-operative society or its members or members of its Board under any written law, regardless whether such powers are exercisable by resolution, special resolution, or in any other manner, and any difficulty arising in relation thereto may be resolved by the Minister by a direction in writing.

(3) During the period that an order under paragraph 69(2)(a) is in force, no members of the Board of the co-operative society to which the order relates shall, either directly or indirectly, engage in any business, activities and affairs in relation to the co-operative society, unless it is required or authorized by the Commission or the appointed person and no remuneration of whatever nature shall accrue or be payable to any members of the Board of the co-operative society, unless it is approved in writing by the Commission or the appointed person in relation to any business, activities and affairs required or authorized by the Commission or the appointed person.

(4) An order under paragraph 69(2)(a) shall not have the effect of conferring on, or vesting in, the Commission or the appointed person, any title to, or any beneficial interest in, any property of the co-operative society to which the order relates.

(5) Any officer of the co-operative society who fails to comply with subsection (1) or (3) commits an offence and

shall, on conviction, be liable to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both and shall, in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction.

**69D. Completion of exercise of power under subsections 69(1) and (2) by the Commission**

(1) The Commission shall complete any exercise of powers under subsection 69(1) or (2) within a period not exceeding two years unless such period is extended by the Minister.

(2) The Minister may extend the period under subsection (1) for three further consecutive periods not exceeding one year each.

(3) Upon the expiry of such period referred to in subsection (1) or (2), and if in the opinion of the Commission, the Commission has not completed the exercise of its powers under subsection 69(1) or (2), the Commission may dissolve the co-operative society.

(4) Where the Commission considers that any exercise of the powers referred to in subsection 69(1) or (2) has been completed, the Commission shall submit any property, business, activities and affairs of the co-operative society to the newly elected Board and cause a notice to that effect specifying the date on which the exercise of such powers was completed to be published in the *Gazette*."

**62. Amendment of section 70.**

Section 70 of the principal Act is amended-

(a) by inserting after the words "has been removed by" the word "an"; and

(b) by substituting for the words "provision of subsection 69(6)" the words "subparagraph 69(1)(iii) or subsubparagraph 69(1)(iv)(A)".

### **63. Amendment of section 71.**

Section 71 of the principal Act is amended-

(a) by substituting for subsection (1) the following subsection:

"(1) The Commission may, if the Commission is of the opinion that a co-operative society ought to be dissolved, dissolve the co-operative society by making an order for the revocation of the registration of the co-operative society-

(a) when the Commission exercises its powers under subsection 69D(3);

(b) upon receipt of an application made by three-fourths of the members of a co-operative society; or

(c) after an inspection has been made under section 64 or 68 or after an inquiry has been held under section 66.";

(b) in subsection (5)-

(i) in the national language text, by substituting for the word "dia" the word "Suruhanjaya";

(ii) in the English language text, by substituting for the word "he" wherever appearing the words "the Commission"; and

(iii) by substituting for the word "assets" the word "property"; and

(c) in subsection (6), by substituting for the words "wound up" the word "dissolved".

#### **64. Deletion of sections 71A, 71B and 71C.**

The principal Act is amended by deleting sections 71A, 71B and 71C.

#### **65. Amendment of section 72.**

Section 72 of the principal Act is amended in subsection

(1)-

(a) by substituting for the word "his" the words "the Commission's"; and

(b) by substituting for the word "ten" the word "fifteen".

#### **66. Amendment of section 73.**

Section 73 of the principal Act is amended by substituting for the words "71, 71A or under section 72" the words "71 or 72".

#### **67. Substitution of section 74.**

The principal Act is amended by substituting for section 74 the following section:

#### **"74. Dissolution after revocation of registration of co-operative society**

If the registration of a co-operative society is revoked under section 71 or 72, the Commission may appoint a competent

person which includes an officer of the Commission to be liquidator of the co-operative society."

**68. Amendment of section 75.**

Section 75 of the principal Act is amended-

(a) in subsection (2), by substituting for the words "credit society" the words "prescribed co-operative society";

(b) in subsection (7) of the English language text, by substituting for the word "him" wherever appearing the word "it";

and

(c) by substituting for subsection (8) the following subsection:

"(8) The funds held in the Co-operative Liquidation Account may be deposited or invested in accordance with the regulations, and the net income from such deposit or investment shall be credited to the Co-operative Central Fund which shall be held and administered by the Commission in accordance with the regulations."

**69. Amendment of section 77.**

The principal Act is amended by substituting for section 77 the following section:

"77. An order made by the liquidator or by the Commission under section 75 or 76 shall be enforced by any court."

**70. Amendment of section 79.**

Subsection 79(1) of the principal Act is amended by deleting the word "capital".

**71. Amendment of section 80.**

Section 80 of the principal Act is amended-

(a) by substituting for subsection (1) the following subsection:

"(1) If, in the course of a dissolution of a cooperative society or consequent upon an audit under section 60 or an inspection under section 64 or 68 or an inquiry under section 66 or an investigation under Part VI of the Malaysia Co-operative Societies Commission Act 2007, it appears that any person who has taken part in the organization or management of such co-operative society or any past or present officer of the co-operative society, agent or member of the co-operative society has misapplied or retained or become liable or accountable for any money or property of such co-operative society or has been guilty of misfeasance or breach of trust in relation to such co-operative society, the Commission may on its own motion or on the application of the liquidator or contributory, examine into the conduct of such person and make an order requiring him to repay or restore the money or property or any part thereof with return or interest at such rate as the Commission thinks just or to contribute such sum to the assets of such co-operative society by way of compensation in regard to the misapplication, retainer, dishonesty or breach

of trust as the Commission thinks just."; and

(b) in subsection (2), by substituting for the word "An" the words "Notwithstanding any other written law, an".

**72. Amendment of section 81.**

Section 81 of the principal Act is amended by deleting the words "71B or".

**73. Amendment of section 82.**

Section 82 of the principal Act is amended-

(a) in paragraph (3)(a) of the English language text, by substituting for the word "himself" the words "by itself";

(b) in paragraph (3)(b), by deleting the word "or"; and

(c) by inserting after paragraph (3)(b) the following paragraph:

"(ba) refer the dispute to the tribunal established under section 83; or".

**74. Amendment of section 83.**

Section 83 of the principal Act is amended-

(a) in subsection (2), by substituting for the word "shall" the word "may"; and

(b) in subsection (4), by substituting for the words "shall be referred to such tribunal" the words "may be referred to such tribunal by the Commission".

**75. New section 84A.**

The principal Act is amended by inserting after section 84 the following section:

**"84A. Co-operative society business based on Syariah**

(1) Any co-operative society carrying on business or activity based on Syariah may, from time to time, seek the advice of the Syariah Advisory Council on the operation of its business or activity in order to ensure that it is in accordance with Syariah.

(2) Any co-operative society carrying on business under subsection (1) shall comply with any written directions issued from time to time by the Commission, in consultation with the Syariah Advisory Council.

(3) For the purpose of this section, "Syariah Advisory Council" means the Syariah Advisory Council established under subsection 16B(1) of the Central Bank of Malaysia Act 1958 [*Act 519*]."

**76. New section 85A.**

The principal Act is amended by inserting after section 85 the following section:

**"85A. Submission of information and statistics**

(1) A co-operative society, an officer of the co-operative society, a member of the co-operative society or any person required by the Commission shall submit to the Commission such returns, statistics, documents or information within such time and in such manner or form as the Commission may require by notice in writing.

(2) The Commission may require the document or information submitted under subsection (1) to be duly certified by the

auditor.

(3) Any returns, statistics, documents or information submitted to the Commission under subsection (1) shall be true, accurate and complete.

(4) Where the information obtained by the Commission under subsection (1) relates to the accounts or affairs of the members of the co-operative society, that information shall be regarded as confidential between the Commission and the members of the co-operative society.

(5) A co-operative society shall disclose information to any credit bureau as may be specified by the Commission.

(6) For the purpose of subsection (5), any information received from a co-operative society by the credit bureau shall be regarded as confidential between the co-operative society and the credit bureau.

(7) Any co-operative society, officer of the co-operative society, a member of the co-operative society or any person who fails to comply with subsection (1), (2), (3), (4), (5) or (6) commits an offence and shall, on conviction, be liable to a fine not exceeding two hundred thousand ringgit and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction."

#### **77. Amendment of section 86.**

The principal Act is amended by substituting for section 86

the following section:

**"86.** (1) The Commission may, with the approval of the Minister, make such regulations under this section as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Act.

(2) In particular, without prejudice to the generality of the power conferred by subsection (1), such regulations may-

(a) prescribe the forms to be used and the conditions to be complied with in applying for the registration of a co-operative society and the procedure in the matter for such application;

(b) prescribe the matters in respect of which a co-operative society shall or may make by-laws and for the procedure to be followed in making, amending and rescinding its by-laws including the by-laws which are inconsistent with the provision of this Act, and the conditions to be satisfied prior to such making, amendment or rescission;

(c) prescribe all matters relating to the election, appointment, terms of office and disqualifications of members of the Board of a co-operative society and its auditors;

(d) prescribe the manner in which a particular business, activities or affairs may be carried out by a co-operative society;

(e) prescribe the purposes for which specific savings of a co-operative society may be utilized;

*(f)* prescribe all matters relating to the amalgamation and division of any co-operative society and the transfer of assets and liabilities of such co-operative society including-

*(i)* the vesting of assets and liabilities of-

*(A)* the amalgamating co-operative society in the amalgamated co-operative society;

*(B)* a co-operative society in the new co-operative society created pursuant to a division; or

*(C)* a co-operative society in another co-operative society pursuant to a transfer; and

*(ii)* the registration of the amalgamated co-operative society, the new co-operative society, and the revocation of the registration of, in the case of an amalgamation, the amalgamating co-operative society, in the case of a division, the existing co-operative society, and in the case of a transfer, the transferor co-operative society;

*(g)* prescribe the purposes for which the funds in the Reserve Account, other than those arising from capital gains, may be utilized;

*(h)* prescribe the manner in which the Co-operative Central Fund and the Co-operative Liquidation Account shall be held, administered and used;

*(i)* subject to the express provisions of this Act, determine

in what cases an appeal shall lie from the orders of the Commission and prescribe the procedure to be followed in presenting and disposing of such appeals;

*(j)* prescribe the mode of appointing an arbitrator and the procedure to be followed in proceedings before the Commission or such arbitrator;

*(k)* prescribe the procedure to be followed by the liquidator appointed under section 74 and the cases in which appeals shall lie from the orders of such liquidator;

*(l)* prescribe the forms to be used, the fees to be paid, the procedure to be complied with and all other matters connected with or incidental to the presentation, hearing and disposal of appeals under this Act or the regulations;

*(m)* provide for the establishment of a National Co-operative Consultative Council;

*(n)* prescribe the manner in which the Co-operative Education Trust Fund, Co-operative Development Trust Fund and any other funds shall be held, administered and used;

*(o)* provide for the investment of the funds of a co-operative society in the bonds and debentures of any co-operative society, securities of any company or any body corporate registered in Malaysia or in its subsidiary;

*(p)* provide for investments by a co-operative society in

immovable properties;

(q) provide for the acceptance of deposit by a co-operative society from persons who are not members of the co-operative society;

(r) prescribe the procedure regarding payment for shares or subscription withdrawn by members from the Statutory Reserve Fund;

(s) provide for the establishment of subsidiaries of co-operative society and all matters relating to it;

(t) prescribe the procedure regarding the withdrawal of share, return or interest of deceased member by legal representative, nominee, heir or person, as the case may be;

(u) prescribe the contracts made between a co-operative society and member who is a child;

(v) prescribe offences which may be compounded and the procedure for compounding such offences;

(w) prescribe the matters relating to inaugural general meeting and annual general meeting;

(x) prescribe the procedure regarding the withdrawal and transfer of share, return or interest of a member upon termination of membership; and

(y) provide for any other matter which the Commission deems expedient or necessary for the purposes of this Act.

(3) Without prejudice to the provisions of subsections (1)

and (2), the Commission may, with the concurrence of the Minister and the Minister of Finance, make such regulations as may be necessary for the purpose of controlling or regulating the business, activities or affairs, and to provide for the better management, of co-operative society carrying on the deposit taking business or the business of insurance.

(4) Any regulations made under this section may relate to all, or any class, category or description of co-operative society, and different provisions may be made for different co-operative society, classes, categories or description of co-operative society.

(5) Any regulations made under this section shall be published in the *Gazette*."

#### **78. New sections 86A and 86B.**

The principal Act is amended by inserting after section 86 the following sections:

##### **"86A. Power to make order**

The Commission may, with the approval of the Minister, make such order under this section as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Act.

##### **86B. Power to issue directives, guidelines, etc.**

(1) The Commission may issue directives, guidelines, circulars or notices in respect of any provision of this Act including the matters set out in the Schedule as are necessary or expedient to give full effect to or for the carrying out the

provisions of this Act.

(2) The Commission, with the approval of the Minister may, from time to time, by order published in the *Gazette*, vary, delete, add to, substitute for, or otherwise amend the Schedule under subsection (1) and upon publication of such order, the Schedule, as varied, deleted, added to, substituted for or otherwise amended, shall come into full force and effect and shall be deemed to be an integral part of this Act as from the date of such publication, or from such later date as may be specified in the order.

(3) Any directives, guidelines, circulars or notices issued under subsection (1) may relate to all, or any class, category or description of co-operative society and different provisions may be made for different co-operative society, classes, categories or description of co-operative society."

**79. Amendment of section 87.**

The principal Act is amended by substituting for section 87 the following section:

"**87.** (1) The Minister may, on being satisfied that it is desirable to do so in the interest of the development of co-operative society generally or of a particular co-operative society or a particular class, category or description of co-operative society, by general or special order, subject to such conditions as he may impose, exempt any co-operative society or class, category or description of co-operative society, from any of the provisions of this Act, or direct that such provisions shall apply

to any co-operative society or class, category or description of co-operative society, with effect from such date or with such modifications as may be specified in the order.

(2) Any exemption made under subsection (1) shall be published in the *Gazette*."

**80. Deletion of section 89.**

The principal Act is amended by deleting section 89.

**81. Amendment section 91.**

The principal Act is amended by substituting for section 91 the following section:

"91. (1) It shall be an offence under this Act if-

(a) a co-operative society, an officer of a co-operative society or a member of a co-operative society performs any act which requires the consent or the approval of the Commission or the general meeting without first having obtained such consent or approval;

(b) a co-operative society, an officer of a co-operative society or a member of a co-operative society neglects or refuses to do an act or thing which is required by or under this Act, regulations or orders, to be done; and

(c) a co-operative society or any person does or causes to be done an act or thing prohibited by, or fails to comply with, the requirements of this Act, regulations or orders.

(2) Any co-operative society, officer of a co-operative

society, member of a co-operative society or any person, guilty of an offence under this section shall be liable, on conviction, to a fine not exceeding one hundred thousand ringgit and shall in addition, be liable to a daily fine of one hundred ringgit for each day during which the offence continues after conviction."

**82. Amendment of section 92.**

Section 92 of the principal Act is amended by substituting for the words "any public officer authorized by him" the words "its officer authorized by it".

**83. Substitution of section 93.**

The principal Act is amended by substituting for section 93 the following section:

**"93. Power to compound offences**

(1) The Executive Chairman of the Commission may, with the consent in writing of the Public Prosecutor, compound any offence committed by any person which is punishable under this Act or any regulations or orders made under this Act by making a written offer to such person to compound the offence by paying to the Commission within such time as may be specified in the offer such sum of money which shall not exceed fifty per centum of the amount of the maximum fine including the daily fine, if any, in the case of a continuing offence, to which that person would have been liable if he had been convicted of the offence.

(2) Any money paid to the Commission pursuant to the

provisions of subsection (1) shall be paid into and form part of the operating fund of the Commission.

(3) An offer under subsection (1) may be made at any time after the offence has been committed, but before any prosecution for it has been instituted, and where the amount specified in the offer is not paid within the time specified in the offer, or any extension of it which the Commission may grant, prosecution for the offence may be instituted at any time thereafter against the person to whom the offer was made.

(4) Where an offence has been compounded under subsection (1), no prosecution shall thereafter be instituted in respect of such offence against the person to whom the offer to compound was made."

#### **84. New section 93A.**

The principal Act is amended by inserting after section 93 the following section:

##### **"93A. Court may order compliance**

Where a co-operative society or any person has been convicted of an offence under this Act, the court may, in addition to any fine or term of imprisonment that may be imposed, order such co-operative society or person to rectify the contravention of this Act in respect of which the co-operative society or person was convicted."

#### **85. New Schedule.**

The principal Act is amended by inserting after section 96

the following Schedule:

"SCHEDULE

[Section 86B]

LIST OF MATTERS THAT CAN BE ISSUED BY WAY OF A  
DIRECTIVE, GUIDELINE, CIRCULAR OR NOTICE

1. Imposition of duties, liabilities, responsibilities, restrictions, limitations, prohibitions or sanctions, or the conferment of rights, privileges, benefits or indemnities on officers, delegates, members of co-operative society or auditors.
2. Corporate governance of co-operative society.
3. Purposes for which the funds in the Reserve Account, other than those arising from capital gains, may be utilized.
4. Maximum rate payment of dividend on shares or subscription, honorarium or return on deposits.
5. Provision for the inspection of documents and registers at the Commission's offices and the fees to be paid thereof and for the issuance of copies of such documents or registers.
6. Maintenance of funds representing shares subscribed and paid by members, its subscription capital and other funds attributable to its members.
7. Form and contents of financial statements, accounting standards and procedure to be complied with by co-operative society in preparing and tabling financial statements.
8. Maintenance of liquid assets by co-operative society.
9. Islamic financing or credit facility by co-operative society.
10. Acceptance of deposits or borrowing of funds from members by co-operative society."

**86. Saving and transitional.**

Any act, omission or thing done or to be carried out by the Registrar General of Co-operative Societies of Malaysia before the coming into operation of this Act shall be deemed to have been done, omitted or carried out by the Commission and any references to the Registrar General of Co-operative Societies of Malaysia in any laws shall be construed to be a reference to the Commission.