

**CO-OPERATIVE SOCIETIES RULES**

ARRANGEMENT OF RULES

RULE

1. Short title and Interpretation
2. Register of societies
3. Application
4. Registration
5. Certificate of registration
6. Refusal to register
7. Register of members
8. Accounts to be kept
9. Election of members
10. Withdrawal of member
11. Expulsion
12. Loss of qualification
13. Society not to limit membership
14. Appointment of nominee
15. Dividends and bonus
16. Loans and deposits
17. Authority vested in general meeting
18. First meeting
19. Annual general meeting
20. Special general meeting
21. Quorum
22. Chairman
23. Decision by majority
24. Voting
25. Minutes
26. Election of committee
27. Powers of committee
28. Meetings of committee
29. Vacation of office
30. Filling of vacancies
31. Borrowing
32. Officers
33. Security to be given
34. Write off of debts
35. Accounts and report
36. Application for a loan

37. Sanction of loan
38. Security for loans
39. Documents relating to loans
40. Restrictions on loans to defaulters
41. Extension of loans
42. Misapplication of loan
43. Recovery of loans
44. Marketing
45. Transfer of shares
46. Reserve fund
47. Audit
48. Audit and supervision fund
49. By-Laws
50. Amendment of by-laws
51. Proof of entries in books
52. Reference of disputes to Registrar
53. Reference to arbitration
54. Procedure on arbitration
55. Returns to Registrar

**CO-OPERATIVE SOCIETIES RULES – SECTION 53**

*(S.R.O. 25/1960)*

**Short title and Interpretation**

1. (1) These Rules may be cited as the Co-operative Societies Rules.
- (2) In these Rules—

“Act” means the Co-operative Societies Act.

**Register of societies**

2. (1) The Registrar of Co-operative Societies shall keep or cause to be kept at his office a Register to be called “The Register of Societies” wherein shall be entered particulars relating to the registration of societies and their rules.

(2) All original entries in the Register of Societies shall be made by, or under the direction of, the Registrar and shall be signed by him.

(3) Every alteration, interlineation or erasure in the Register of Societies shall be initialled by the Registrar.

(4) The Register of Societies shall be open to inspection by the public at all reasonable times.

**Application**

3. (1) Every application for the registration of a society shall be submitted to the Registrar in the form prescribed by him.

(2) Two copies of the by-laws which the society proposes to adopt shall be submitted together with the application.

**Registration**

4. Where the Registrar decides to register a proposed society, the society and its by-laws shall be registered in the Register of Societies.

**Certificate of registration**

5. Upon the registration of a society, the Registrar shall forward to the society, free of charge—

- (a) a certificate of registration;
- (b) a copy of the by-laws of the society as approved by him and certified under his hand as having been approved by him; and
- (c) a copy of the Act and of the Rules.

**Refusal to register**

6. When the Registrar refuses to register a society or its by-laws he shall record in writing his reasons for doing so.

**Register of members**

7. Every registered society shall keep a register to be called “The Register of Members” wherein shall be entered—

- (a) the name, address and occupation of each member and a statement of the shares, if any, held by him;
- (b) the date on which each member’s name was entered in the Register;
- (c) the date on which any member ceased to be a member; and
- (d) the nominee, if any, appointed under rule 14.

**Accounts to be kept**

8. Every registered society shall keep such accounts and shall use such books as may from time to time be prescribed by the Registrar.

**Election of members**

9. The election and admission of members to a registered society, other than original members, shall be in such manner and on such conditions as the by-laws shall prescribe.

**Withdrawal of member**

10. A member may withdraw from a registered society by giving written notice to the secretary, but such withdrawal shall be without prejudice to section 31 of the Act.

**Expulsion**

11. If a member acts in contravention of the rules or by-laws, or acts in any way detrimental to the interests of the registered society, such member may be expelled by a vote of two-thirds of the members present at a general meeting upon a charge communicated to him in writing by the committee not less than one week before the meeting. Such expulsion shall, however, be without prejudice to section 31 of the Act.

**Loss of qualification**

12. Any member who loses any of the qualifications for membership prescribed by the Act or the rules or the laws, shall cease to be a member of the registered society, and the committee shall cause his name to be struck off the Register of Members without prejudice to any liabilities of such person under section 31 of the Act.

**Society not to limit membership**

13. No registered society shall fix any limit to the number of its members.

**Appointment of nominee**

14. (1) Every appointment of a nominee by any member of a registered society for the purposes of section 19 of the Act shall be made in writing and signed by the member in the presence of two attesting witnesses.

(2) No member of a registered society with share capital shall be entitled to appoint more than one nominee unless that member holds more than one share.

(3) In any case where more than one nominee is appointed by any member the number of shares to be transferred or the exact proportion of the amount available that is to be transferred to each of these nominees shall be specified at the time of the appointment.

(4) Every appointment of a nominee shall be recorded in the Register of Members.

(5) For the purpose of a transfer to a nominee, the value of any share or interest shall be represented by the sum actually paid for that share or interest by the member holding it.

(6) Where any money is paid to a nominee who is a minor, a receipt given either by the minor or by his guardian shall be sufficient discharge to the registered society.

### **Dividends and bonus**

15. (1) No dividend of payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the total liabilities of the society.

(2) A bonus based on wages or on the value of the products of a member, or a bonus or rebate on patronage calculated in proportion to the amount of the business done by each member with the registered society may be distributed periodically to the members from surplus funds after the deduction of all expenditure and after making provision for bad and doubtful debts and making allocation to the reserve fund.

(3) No registered society shall pay a dividend on share capital exceeding eight per cent per annum on the capital actually paid up.

### **Loans and deposits**

16. (1) Every registered society shall, from time to time, fix at a general meeting the maximum liability it may incur in loans or deposits.

(2) The maximum so fixed shall be subject to the sanction of the Registrar who may at any time reduce it.

(3) No registered society shall receive loans or deposits which will make its liability exceed the limit fixed by the general meeting.

### **Authority vested in general meeting**

17. The supreme authority in a registered society shall be vested in the general meeting of members at which every member has a right to attend and vote on all questions. Subject to the provisions of section 27 of the Act, each member shall have one vote only which shall be exercised in person and not by proxy.

**First meeting**

18. The first meeting of members shall have the same powers as are given to the annual general meeting, and shall be held immediately or not later than one month after the receipt of the certificate of registration of the society.

**Annual general meeting**

19. The annual general meeting of members shall be convened by the committee as soon as the report on the audit of the accounts of the registered society by the Registrar or person authorised by him is received by the committee. At least seven days' notice shall be given before any such general meeting is held.

**Special general meeting**

20. A special general meeting of members may be convened at any time by the committee and/or on receipt of a demand stating the object of the proposed meeting signed by the requisite number of members as provided in the by-laws of the registered society.

**Quorum**

21. When a registered society consists of not more than forty members, one half of the number of the members, or ten members, whichever is the less, shall form a quorum for the purposes of the annual or a special general meeting, and when a registered society consists of more than forty members, one-fourth of the total number of the members of such society shall form a quorum for the purposes of the annual or a special general meeting:

Provided that in a registered society of which other registered societies are members, the quorum shall be as provided in the by-laws of that society.

**Chairman**

22. (1) The chairman of the committee or in his absence the vice-chairman, or in the absence of both, any other person elected by a majority of those present shall preside at the annual or special general meeting.

(2) The chairman may, by the decision of the meeting, adjourn the meeting from time to time and from place to place but no business shall be transacted at any meeting so adjourned other than the business left unfinished at the meeting from which the adjournment took place.

(3) The chairman shall have the right to order the closure of a discussion and put the matter to the vote.

**Decision by majority**

23. Any question submitted to the decision of the members present at a meeting shall be decided by a majority of votes.

### **Voting**

**24. (1)** At any meeting a resolution put to the vote shall be decided on a show of hands unless voting by call of names or a ballot is demanded by at least five of the members present before the declaration of the result of the show of hands, and in such case voting by call of names or a ballot shall be taken as the case may be.

**(2)** The chairman shall have an ordinary vote and in case of an equality of votes shall be entitled to a casting vote.

**(3)** In respect to every resolution put to the vote the chairman shall declare whether it has been carried or lost, and whether on a show of hands or unanimously or by a particular majority, and an entry to that effect in the minute book shall be conclusive evidence of anything therein contained.

### **Minutes**

**25.** Minutes of the meetings shall be entered in the minute book as soon as possible after the end of the meeting and signed by the chairman and secretary and shall contain—

- (a)* the number and names of the members present at the meeting and the name of the chairman or of the person who presided at the meeting;
- (b)* the time fixed for the meeting and the time the meeting commenced;
- (c)* the total number of members on the date on which the meeting was held; and
- (d)* all resolutions passed or decisions made at the meeting.

### **Election of committee**

**26.** The committee shall be elected at the annual general meeting of the registered society in accordance with the by-laws of the society. The members shall hold office until their successors are elected, and shall be eligible for re-election.

### **Powers of committee**

**27. (1)** The committee shall represent the registered society before all competent public authorities and in all dealings and transactions with third persons, with power to institute or defend suits brought in the name of or against the society, and in general it shall carry out such duties in the management of the affairs of the registered society as have not been specially assigned by the rules or the by-laws, to general meetings, or to any other officer of the society.

**(2)** The committee shall always keep a copy of the latest annual balance sheet of the registered society together with the report referred to in rule 19 hung in a conspicuous place at the registered office of the society.

### **Meetings of committee**

**28.** The committee shall meet as often as business of the registered society may require and in any case not less frequently than once a month. Meetings of the Committee shall be summoned by the secretary in writing.

**Vacation of office**

29. Any member of the committee who, without due excuse approved by the committee, fails to attend at three consecutive meetings of the committee shall be deemed to have vacated his office which shall thereupon be filled as provided in rule 30.

**Filling of vacancies**

30. Vacancies occurring on the committee shall be filled within fourteen days by the election of substitutes elected by the remaining members of the committee.

**Borrowing**

31. The committee may borrow money on behalf of the registered society to an amount not exceeding such total amount as may have been fixed in accordance with rule 16.

**Officers**

32. (1) The committee shall appoint a secretary whose duties shall be prescribed by the by-laws.

(2) The committee may appoint a treasurer and prescribe his duties.

(3) The committee may appoint such other clerks and employees as it considers necessary.

**Security to be given**

33. The treasurer or, where the secretary is carrying out the duties of the treasurer, the secretary shall be required to give security in such amount as the committee may determine and the Registrar shall approve.

**Write off of debts**

34. The committee may, with the approval of the Registrar, cause bad debts to be written off the books of the registered society in such manner and at such times as the Registrar may deem fit.

**Accounts and report**

35. The committee shall in every year and as soon as conveniently possible within such time as the Registrar may direct—

- (a) cause the secretary to prepare and send to the Registrar the yearly balance sheet closed on the last day of the registered society's financial year together with a detailed statement of the profit and loss account; and
- (b) prepare a report on the year's working of the registered society to be presented to the annual general meeting.

### **Application for a loan**

**36.** Members who desire to obtain a loan shall submit an application to the committee stating the amount and the purpose for which the loan is required, the term for which it is asked, whether it is desired to repay it by instalments, and the names of the proposed sureties or any security which is offered.

### **Sanction of loan**

**37. (1)** The committee or any sub-committee acting on behalf of the committee shall consider at a meeting every application for a loan and if the committee is satisfied with the trustworthiness of the applicant, the sufficiency of the security offered and the prospects of advantage to the borrower, in the way of increased production or economy or otherwise, it may sanction the loan.

**(2)** No person other than members of the committee and the secretary and the Registrar and his staff shall be present at any meeting of the committee when an application for a loan is under consideration. A member of the committee who applies for a loan or who is proposed as surety for a loan must withdraw while the relevant application is being discussed. If there is a difference of opinion concerning the granting of a loan, the voting shall be taken by ballot. The proceedings with regard to loans at committee meetings shall be kept secret, and any member of the committee or officer of the registered society infringing this rule shall be liable to immediate expulsion or dismissal.

### **Security for loans**

**38.** Loans, when approved by the committee, shall be granted to members who are able to obtain two sureties approved by the committee, or who can give other security to the satisfaction of the committee.

### **Documents relating to loans**

**39.** When a loan is sanctioned by the committee a notice shall be sent to the borrower to that effect and, before the amount is advanced, the borrower and his sureties shall execute an instrument in writing setting out the terms of repayment of the loan and containing such other terms and conditions as the committee may consider necessary.

### **Restrictions on loans to defaulters**

**40.** Where a member—

- (a) is in default in the payment of a loan or of an instalment of a loan; and
- (b) does not satisfy the committee that such default is due to a good cause, such member shall not be entitled to receive another loan from the registered society.

### **Extension of loans**

**41.** If by reason of sickness or some other cause, a member finds that he will be unable to discharge his obligations to the registered society and notifies the secretary

in writing before a loan is due the committee may extend the time fixed for payment on such conditions as it thinks fit.

### **Misapplication of loan**

**42.** Where the committee is satisfied that a member of the registered society who has obtained a loan has applied the proceeds thereof to a purpose other than the purpose which is stated in the application therefore under rule 36, the committee may, by notice in writing to the debtor, demand payment of the loan before the agreed date of payment.

### **Recovery of loans**

**43.** Where—

- (a) a loan or an instalment of a loan has not been paid on the date on which it became due; and
- (b) no extension for the payment thereof has been given to the debtor by the committee under rule 41,

the committee shall take steps for the recovery of the same by referring the matter to the Registrar as prescribed in section 51 of the Act.

### **Marketing**

**44. (1)** Every member of the society shall deliver to the society at such place as the committee shall direct such amount of articles produced or obtained by him as may be prescribed in the by-laws or in the relevant contract to be disposed of by the society.

**(2)** Any member who is proved or adjudged in accordance with the provisions of section 51 of the Act to be guilty of a breach of the by-laws or the relevant contract as the case may be shall pay to the society as liquidated damages such sum as may be specifically assessed or ascertained in manner prescribed by the by-laws or by the relevant contract and such sum shall be deemed to be a debt due to the society.

### **Transfer of shares**

**45. (1)** Subject to the provisions of rule 49, any share may be transferred with the approval of the committee to any other member at the option of the transferor, but if the transferee is not a member, he must be approved of as a member by the committee, or the general meeting according to the rules relating to the admission of members before the transfer can be registered; and if the rules require a member to hold more than one share, the transferee must acquire by the transfer, or by the transfer and allotment, the number so required to be held before the transfer can be registered.

**(2)** Special transfer forms as prescribed by the Registrar shall be used.

**(3)** No transfer of a share shall be valid and effective unless and until such transfer has been registered by the secretary on the direction of the committee.

**(4)** No transfer of a share shall be registered if made by a member indebted to the registered society without special order of the committee, and until the transfer of a share is registered no right shall be acquired against the registered society by the

transferee, nor shall any claim of the registered society upon the transferor be affected thereby.

### **Reserve fund**

**46. (1)** The reserve fund of a registered society, created in pursuance of the provisions of section 36 of the Act, shall be indivisible property of the registered society, and may—

- (a) be utilized in the business of the registered society; or
  - (b) be applied with the sanction of the Registrar to meet bad debts or losses sustained through extraordinary circumstances over which the society has no control.
- (2)** The reserve fund shall not otherwise be disturbed except in liquidation.

### **Audit**

**47.** In pursuance of the provisions of section 37 of the Act, the accounts of every registered society shall be audited at least once every year by some person authorised by the Registrar. Such person shall have access to all the books and accounts of the registered society and shall examine every balance sheet and annual return of the receipts and expenditure, funds and effects of the registered society, and shall verify the same with the accounts and vouchers relating thereto, and shall either sign the same as found by him to be correct, duly vouched and in accordance with the Act or shall specially report to the Registrar in what respects he finds the same incorrect, unvouched, or not in accordance with the Act. The Registrar shall thereupon forward the report of such person to the committee.

### **Audit and supervision fund**

**48. (1)** There shall be constituted a fund to be known as the Audit and Supervision Fund and every registered society, the accounts of which have been audited by the Registrar, shall, when called upon to do so by the Registrar, make annually a contribution to such fund.

**(2)** Until such time as a society has been established and registered for the purposes of supervision and audit, such contributions shall be held by the Registrar and administered by him on behalf of the contributing registered societies.

**(3)** So long as the Registrar administers the fund on behalf of the contributing registered societies, he shall report in every year to the Government in respect to the income derived from contributions, the expenditure he has sanctioned from the fund and the balance in his hands.

**(4)** As soon as a society for supervision and audit has been established and registered, the fund shall be credited to such society and shall be utilised by such society in accordance with its objects and by-laws.

**(5)** Until a society for supervision and audit has been established and registered, the Registrar shall fix the amount of the annual contribution to the fund of every registered society called upon to contribute to the fund. The amount of every such annual contribution shall be subject to a maximum of either ten per cent of the

net annual profits of the registered society or of one per cent of the working capital of the registered society and shall not in any case be less than \$2.

### By-Laws

**49. (1)** The by-laws of a proposed society shall contain provision in respect of the following matters—

- (a) the name of the society;
- (b) the registered address of the society;
- (c) the objects for which the society was established;
- (d) the purpose to which the funds may be applied;
- (e) the qualifications for membership, the terms of admission of members and the mode of election;
- (f) the nature and extent of the liability of members;
- (g) the manner of raising funds, including the maximum rate of interest on deposits;
- (h) the procedure at general meetings and at the meetings of the committee;
- (i) the duties of the secretary, treasurer and other officers; and
- (j) the manner of the investment of the funds of the society.

**(2)** If the objects of the proposed society include the creation of funds to be lent to the members, the proposed by-laws shall, in addition, contain provision in respect of the following matters—

- (a) the conditions on which loans may be made to members including the rates of interest; and
- (b) the consequences, if any, of default in the payment of any sum due on account of shares.

**(3)** A proposed society in which name the words “Credit Union” appear shall provide for the following conditions in its by-laws—

- (a) the liability of the members shall be limited by shares;
- (b) a member may withdraw any portion of his share capital not otherwise pledged to the society on demand provided that the committee or other governing body of the society may require notice for a period not exceeding six months;
- (c) deposits may be received from members only;
- (d) the rate of interest on loans shall not exceed twelve per centum per annum.

### **Amendment of by-laws**

**50. (1)** Where, in pursuance of the provisions of subsection (1) of section 11 of the Act, a registered society amends its by-laws, such amendments shall be made by a resolution of the members of the registered society at a general meeting.

**(2)** Every resolution under paragraph (1) shall not be valid and effective unless it was taken by a majority of not less than three-fourths of the members present at the general meeting at which the resolution was proposed.

**(3)** A copy of a resolution under paragraph (1) shall be forwarded to the Registrar together with two copies of the amendment.

### **Proof of entries in books**

**51.** For the purposes of section 22 of the Act a copy of an entry in the book of the society may be certified by a certificate written at the foot of such copy declaring that it is a true copy of such entry and that the book containing the entry is still in the custody of the society; such certificate being dated and signed by the secretary and one member of the committee.

### **Reference of disputes to Registrar**

**52. (1)** Reference of a dispute to the Registrar under the provisions of subsection (1) of section 51 of the Act may be made—

- (a) by the committee; or
- (b) by the registered society in pursuance of a resolution in that behalf taken in general meeting; or
- (c) by any party to the dispute; or
- (d) where the dispute concerns a member of the committee and the registered society, by any member of the registered society.

**(2)** Every reference under this rule shall be made by a statement in writing addressed to the Registrar. Such statement shall—

- (a) be dated;
- (b) specify the dispute;
- (c) set out full particulars of the dispute; and
- (d) be signed by the party making it.

### **Reference to arbitration**

**53. (1)** Where in pursuance of the provisions of subsection (2) of section 51 of the Act, the Registrar refers a dispute to arbitration, such reference shall be embodied in an order of reference under his hand.

**(2)** Every order of reference under this rule shall—

- (a) specify the name, surname, place of abode and occupation of the arbitrator or arbitrators;

- (b) set out the dispute and full particulars thereof; and
- (c) limit the time within which the award shall be forwarded by the arbitrator or arbitrators to the Registrar:

Provided that, on good cause shown to his satisfaction, the Registrar may, by a further order, enlarge the time whether before or after the time limited by the order of reference has expired.

(3) Where the Registrar refers a dispute to more than one arbitrator, such reference shall be to three arbitrators, of whom one shall be nominated by each of the parties to the dispute and the third shall be nominated by the Registrar and shall act as chairman.

(4) Where, under paragraph (3), reference is made to three arbitrators, the following provisions shall have effect—

- (a) if any party to the dispute fails to nominate an arbitrator within such time as the Registrar may specify, the Registrar may make the nomination himself;
- (b) if an arbitrator nominated by one of the parties to the dispute dies, or refuses or neglects to act, or by absence or otherwise becomes incapable of acting, the Registrar shall call upon the party concerned to nominate a new arbitrator within such time as the Registrar may specify, and if no new arbitrator is nominated accordingly, the Registrar may nominate one himself;
- (c) if the arbitrator who dies or refuses or neglects to act or becomes incapable of acting was nominated by the Registrar a new arbitrator shall be nominated in his place by the Registrar; and
- (d) the opinion of the majority of the arbitrators shall prevail.

### Procedure on arbitration

54. (1) The proceedings before the arbitrator or arbitrators shall as nearly as possible be conducted in the same way as proceedings before a Court of Law and in particular the following provisions shall have effect in respect thereof—

- (a) notice of the time and place at which the proceedings are to be held shall be given to the parties to the dispute and such notice shall be a ten days' notice;
- (b) a record of the evidence adduced before the arbitrator or arbitrators shall be made, dated and signed by the arbitrator or arbitrators;
- (c) documents produced as exhibits before the arbitrator or arbitrators shall be marked, dated and initialled by the arbitrator or arbitrators and shall be attached to the file of the proceedings; and
- (d) in the absence of any party duly notified to attend, the dispute may be decided by the arbitrator or arbitrators *ex parte*.

(2) The award of the arbitrator or arbitrators shall—

- (a) be in writing;

- (b) be dated and signed by the arbitrator or arbitrators; and
  - (c) state the amount of the costs and expenses of the arbitration, if any, and by which party or parties to the dispute the same are to be paid.
- (3) Upon completion of the proceedings the arbitrator or arbitrators shall forward to the Registrar—
  - (a) the file of the proceedings; and
  - (b) the award.

**Returns to Registrar**

**55.** Every registered society shall submit to the Registrar, such returns, at such time, and in such form, as may from time to time be prescribed by the Registrar.

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