

**A STATUTE TO PROVIDE FOR THE APPOINTMENT OF REGISTRAR OF CO-OPERATIVE SOCIETIES; FOR THE ORGANIZATION, REGISTRATION, SUPERVISION AND AUDIT OF CO-OPERATIVE SOCIETIES WITHIN THE [NAME OF THE PROVINCE]; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO. THIS STATUTE IS INCONSISTENT WITH THE PROVISIONS OF CO-OPERATIVE SOCIETIES LAW NO. 5 OF 1972.**

**BE** it enacted by the [name of the Province] Provincial Council of the Democratic Socialist Republic of Sri Lanka as follows: -

Short title.

1. This Statute may be cited as the [name of the Province] Co-operative Societies Statute, No. .. of 20...

Objects of the Statute.

2. The objects of this Statute shall be –

- (a) to create and strengthen the Co-operative Societies;
- (b) to organize, register, supervise and audit the Co-operative Societies;
- (c) to create suitable situations and give advice to the Co-operative Societies to function efficiently and raise awareness among the members of the Co-operative Societies of the co-operative policies and activities;
- (d) to practice fair and transparent business activities;
- (e) to provide support and services to the members of the Co-operative Societies;
- (f) to develop social, economic and cultural values of the people of the [name of the Province]; and
- (g) to enhance and share the knowledge, education and training on co-operative principles.

## PART I

### APPOINTMENT OF REGISTRAR

Appointment of Registrar.

3. There shall be appointed a Registrar of Co-operative Societies for the [name of the Province] and such number of Deputy, Senior Assistant, or Assistant Registrars of Co-operative Societies as may be necessary:

Provided however, there shall be one Assistant Registrar of Co-operative Societies for each district of the [name of the Province].

Powers, functions and duties of the Registrar.

4. The Registrar shall have the following powers, functions and duties-

- (a) to register the Co-operative Societies;
- (b) to amalgamate, divide and re-organize the Co-operative Societies;
- (c) to conduct elections to constitute Management Committees of each Co-operative Society;
- (d) to regularize the investment of funds by Co-operative Societies;
- (e) to conduct audit and inspection and conduct inquiries;
- (f) to settle any dispute of a Co-operative Society through a process of arbitration;
- (g) to cancel the registration of a defunct or non-functional Co-operative Society;
- (h) to issue instructions or directives for the promotion of business of different categories of Co-operative Societies;

- (i) to assist the Department of Co-operatives in formulating a Provincial Policy on Co-operative Societies; and
- (j) to frame, execute and monitor various welfare schemes approved by [name of the Province] Provincial Council including financial assistance to various sectors of Co-operative Societies.

## PART II

### REGISTRATION OF A CO-OPERATIVE SOCIETY

Society which  
may be  
registered.

5. (1) No Co-operative Society (hereinafter referred to as the "Society" or "Societies" as the case may be) shall carry out any functions except under a Certificate of Registration issued by the Registrar.

- (2) A Society may be registered with or without limited liability, if-
  - (a) the Society has an object to promote economic, social or cultural interests of its members in accordance with co-operative principles;
  - (b) the Society is established with the object of facilitating the operations of a Society;
  - (c) the Society consists of Societies as members established for the purpose of providing co-operative education and training, advisory services and information technology services to Societies within the [name of the Province] and other services for the promotion of the co-operative movement;
  - (d) the Society consists of Societies as members established for the purpose of planning, coordinating, and facilitating the activities of such Societies engaged in marketing, industry, agriculture, fisheries or in such other activity as may be

approved by the Registrar.

(3) Where Societies are members of another Society, the liability of second mentioned Society shall be limited.

(4) Where the liability of the members of a Society is limited, no member other than a Society shall hold liability for more than such portion of the share capital of the Society.

Conditions of registration.

6. (1) No Society shall be registered, if-
- (a) such Society does not consist of at least twenty persons each of whom is above the age of eighteen years and resides or is employed or owns immovable property within the proposed area of operations of the Society seeking registration;
  - (b) such Society which consists of only Societies does not have at least three members;
  - (c) such Society fails to obtain a report from a person or institution as may be prescribed confirming that-
    - (i) the proposed activities of the Society are economically feasible;
    - (ii) the proposed by-laws of the Society are subject to the provisions of this Statute and rules made thereunder;
  - (d) the proposed by-laws of the Society have not been adopted at the general meeting of the Society;
  - (e) the proposed by-laws fail to provide that at least three members of the Management Committee of the Society shall be between age of eighteen and thirty-five years:

Provided however, the provisions of this paragraph shall not apply to the Societies specified in paragraphs (a)

and (b) of section 5(2); and

- (f) the members who sign the application for registration fail to make the payment of subscription for membership.

(2) The Society shall furnish all information and documents required by the Registrar for the purpose of registration.

(3) For the purpose of this section, the decision of the Registrar relating to any information or document furnished under this section shall be final.

(4) In the name of a liability limited Society registered under this Statute in Sinhala or Tamil, the term of expression "Limited" shall be in front of the name of the Society as a part of that name. In English, the term of expression "Limited" shall be mentioned at the end of the name of the Society.

(5) In the name of a liability unlimited Society registered under this Statute in Sinhala or Tamil, the term of expression "Unlimited" shall be in front of the name of the Society as a part of that name. In English, the term of expression "Unlimited" shall be mentioned at the end of the name of the Society.

Application for registration.

7. (1) For the purpose of registration of a Society, application shall be made to the Registrar in the form as may be determined by the Registrar.

(2) Every application under subsection (1) shall be-

- (a) in the case of a Society which consists only of individual members made by person who usually lives in the area of operation of the Society, or is engaged in employment or is in possession of immovable properties in such area signed by a minimum of twenty members who are above the age of eighteen:

Provided that the provisions of this paragraph shall not apply to the School Co-operative Society which consists of school students as its members; or

- (b) signed by authorized representatives of each member, if the Society consists of Societies as its members.
- (3) Every application for registration of a Society shall be accompanied with the following-
- (a) (i) a copy of the resolution to the effect that the Society is to be registered;
  - (ii) a copy of the attendance sheet of such general meeting of the Society in which the resolution is passed;
  - (iii) a copy of the report of the general meeting;
  - (iv) two copies of by-laws passed at the general meeting and certified by the Chairperson and Secretary of the Society;
- (b) a report from a person or institution as may be prescribed confirming that the by-laws are subject to the provisions of this Statute and rules made thereunder;
  - (c) a feasibility report of proposed economic activities of the Society;
  - (d) a certificate given by the Management Committee of the Society which confirms that the membership subscription of the members who signed the application was received;
  - (e) the name, gender, age, address, profession and document that denotes the number of shares obtained, of each member who signed the application form;

(f) report on the efficiency of the Society;

(g) a certificate confirmed by the Chairperson and the Secretary that at least ten *per centum* of shown investment shall be shares or deposits of the members.

Registration.

8. (1) Upon the receipt of an application, where the Registrar is satisfied that a Society has complied with the provisions of this Statute and the rules, that the activity in which the Society proposes to engage is economically feasible, and that its proposed by-laws are not contrary to this Statute or rules made thereunder, he may, if he thinks fit, register the Society and its by-laws.

(2) Any person who is aggrieved by the decision of the Registrar under subsection (1) may make an appeal to the Secretary to the Ministry of the Minister against the refusal of the Registrar to register such Society.

Evidence of registration.

9. A Certificate of Registration signed by the Registrar shall be *prima facie* evidence that the Society mentioned therein is duly registered, unless it is proved that the registration of the Society has been cancelled.

Amendments of the by-laws of the Society.

10. (1) Any Society may, subject to the provisions of this Statute and the rules made thereunder, amend its by-laws including the by-law which declares the name of the Society.

(2) No amendment of the by-laws of a Society shall be valid, until that amendment has been registered under this Statute and for the purpose of registering the by-laws, two copies of the amendment shall be forwarded to the Registrar.

(3) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Statute or rules made thereunder, he may, if he thinks fit, register the amendment.

(4) Any person who is aggrieved by the decision of the Registrar may make an appeal to the Secretary to the Ministry of the Minister against the refusal of the Registrar to register any amendment of the by-laws.

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

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

(7) In this section, "amendment" includes the making of a new by-law and the variation or rescission of a by-law.

Amalgamation,  
division, and  
transfer of assets  
and liabilities of  
Societies.

11. (1) A Society may, with the prior approval of the Registrar and by a resolution passed by a two-thirds majority of the members present and voting at a general meeting of the Society-

(a) transfer its assets and liabilities in whole or in part to any other Society; or

(b) divide itself into two or more Societies.

(2) Any two or more Societies may, with the prior approval of the Registrar and by a resolution passed by a two-thirds majority of the members present and voting at a general meeting of each such Society, amalgamate themselves and form a new Society.

(3) The resolution of a Society under subsection (1) or subsection (2) shall contain all particulars of the transfer, division or amalgamation, as the case may be.

(4) The prior approval of the Registrar shall not be granted under



subsection (1) or subsection (2), where-

- (a) a report from a person or institution as may be prescribed regarding economic feasibility of proposed transfer, division or amalgamation is not furnished to the Registrar; and
- (b) a report from a person or institution as may be prescribed confirming that the by-laws are subject to the provisions of this Statute and rules made thereunder, is not furnished to the Registrar.

(5) Where a Society has passed any such resolution, it shall give notice thereof in writing to all its members and creditors and, notwithstanding any by-laws or contract to the contrary, any member or creditor shall, during the period of one month of the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

(6) Any member or creditor who does not exercise his option within the period specified in subsection (5) shall be deemed to have assented to the proposals contained in the resolution.

(7) Where a resolution passed by a Society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

Cancellation of Certificate of Registration of a Societies in certain cases.

**12.** (1) Where the whole of the assets and liabilities of a Society are transferred to another Society, the registration of the first-mentioned Society shall stand cancelled and that Society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(2) When two or more Societies are amalgamated into a new Society in accordance with the provisions of section 11, the registration of each of the amalgamating Societies shall stand cancelled on the registration

of the new Society and each such Society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(3) Where a Society divides itself into two or more Societies, the registration of that Society shall stand cancelled on the registration of the new Societies, and that Society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

Objects of the  
Society.

**13.** The objects of the Society shall be to -

- (a) contribute to the economic, social, educational and cultural welfare of its members in accordance with the co-operative principles;
- (b) provide services such as healthcare, education, transport etc. as may be required by the Society;
- (c) create a source of easy credit at fair and reasonable rate;
- (d) provide the opportunity for its members to democratically use and control the socio-economic returns of the co-operative in a mutually beneficial manner;
- (e) facilitate the operation of Societies where a Society consists of registered Societies as its members;
- (f) provide adequate input to members for production of goods and services on convenient and easy terms and provide a common plan for marketing;
- (g) enhance the methods of production by exchange of techniques and practices;
- (h) arrange for storage, processing for value addition and provide such other services to its members by application of technology and informed practices;

- (i) support to the economic, social and cultural benefits of members;
- (j) encourage frugality, mutual assistance and self-assistance among the members; and
- (k) contribute to the community development in accordance with the co-operative principles.

Powers,  
functions and  
duties of the  
Society.

**14.** The powers, functions and duties of the Society shall be to –

- (a) engage in economic and business activities and provide health, social or educational services to the members;
- (b) initiate and maintain saving scheme;
- (c) purchase, supply and market the products of agriculture or animal husbandry or any other industry produced by the members;
- (d) implement the provincial economic plans in accordance with the co-operative principles;
- (e) purchase land, develop it and construct houses or flats and allot the same to members or provide loans at low rate of interest to members to construct their own houses;
- (f) raise fund and to grant loan and advance to the members;
- (g) to employ any person subject to the provisions of the Co-operative Employees Commission Act, No. 12 of 1972 [*name of the Statute if any*];
- (h) acquire by purchase, gift or otherwise and take on lease lands, buildings or other movable or immovable property, or sell, mortgage, lease, exchange or otherwise dispose of lands, buildings or other movable or immovable property for any purpose connected with its objects:

Provided, however, that the prior approval in writing of the Commissioner shall be obtained in the case of any such transaction referred to in this paragraph as relates to any movable property or immovable property;

- (i) to receive grants, gifts or donations in cash or kind;
- (j) to make, draw, accept, discount, endorse, negotiate, buy, sell and issue bills of exchange, cheques, promissory notes and other negotiable instruments and to open, operate, maintain and close accounts in any bank;
- (k) enter into such contracts as may be necessary for the furtherance of the objects of the Society;
- (l) to invest any funds that are not immediately required for the purposes of the Society in State or private institution; and
- (m) to do all other things as are necessary or expedient for the proper and effective carrying out of the objects of the Society.

### **PART III**

#### **MEMBERS OF SOCIETY AND THEIR RIGHTS AND LIABILITIES**

Members not to exercise rights till due payments made.

**15.** (1) No member of a Society shall exercise the rights of a member unless or until he has made such payment to the Society in respect of membership or acquired such interest in the Society as may be prescribed by by-laws.

(2) Where there is a limit to the liability of the members of a Society, no member of a Society shall hold his share exceeding one-fifth of the Society's share capital.

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

(4) Where a member -

(a) purchases a share from the Society, the value of share shall be paid in full; and

(b) purchases more than one share, the payment for the share shall be paid within a period of one year.

(5) The value of a share of a Society shall be one hundred rupees.

(6) The membership of any member who fails to pay the value of shares as specified in subsection (4)(b) or who has paid the value of one share in full under subsection (4)(b), shall be void and such member shall not be entitled to claim any payment made in that connection.

Disqualification  
of the members  
of the  
Management  
Committee.

**16. (1)** A person shall be disqualified from being appointed or continuing as a member of the Management Committee, -

(a) if he is a person below age of eighteen years:

Provided that the provisions of this paragraph shall not apply to the students in a School Co-operative Society;

(b) if he is in default of any payment to the Society for more than a period of three months;

(c) if he is suspected that he has been involved in any financial or material loss to the Society;

- (d) if he fails to implement the decision or direction of the Registrar;
- (e) if he, who being an employee or retired employee of the Society fails to settle due to the Society;
- (f) if he contravenes the provisions of this Statute or the rules made thereunder or any other written law;
- (g) if he or the Society fails to pay the loan borrowed from any other Society in terms of such loan agreement;
- (h) if he has furnished incorrect or false information or statement for any purpose;
- (i) if he has been subsequently elected twice to the Management Committee of a Society except the regional committee or branch thereof:

Provided the provisions of this paragraph shall not apply to the appointed members of a Society;

- (j) if he is or becomes a Member of Parliament, any Provincial Council or any local authority;
- (k) if he has been declared an insolvent or an undischarged bankrupt under any law in Sri Lanka or any other country;
- (l) if he is under any law in force in Sri Lanka or any other country found or declared to be of unsound mind;
- (m) if he is convicted of an offence involving moral turpitude and punishable with imprisonment for a term not less than six months;
- (n) if he is serving or has served a sentence of imprisonment imposed by a Court of Sri Lanka or any other country; or

(o) if he has any financial or other interest as is likely to affect prejudicially the discharge by him of his functions as a member of the Management Committee.

(2) A member of a Society shall have no right to attend or vote at the general meeting in any branch of such Society and to be elected to any office of the Management Committee in any branch of the Society within a period of one year from the date of enrolling as a member of such Society:

Provided that the provisions of this subsection shall not apply to any member who enrolls as a new member of the branch Society.

(3) Any officer of a Co-operative Development Department or Co-operative Employee's Commission established under the provisions of Co-operative Employees Commission Act, No. 12 of 1972 [*name of the Statute if any*] shall not be elected as a member of the Management Committee of a Society, unless such officer is appointed by the Registrar to the Management Committee of the Society.

(4) Any public officer who is directly involved with the activities of a Society shall not hold any office in a Management Committee of any Society, unless such officer is appointed to a Management Committee of a Society.

Associate  
member.

**17.** (1) Any person who enters into a contract with a Society to carry out any business shall be known as an "associate" member.

(2) An associate member shall not be entitled to any share in any form whatsoever, in the assets or profits of the Society, or any vote in the conduct of the affairs of the Society.

(3) An associate member shall have such privileges and rights of a member and be subject to such liabilities of a member, as may be specified in the by-laws of the Society.

Contracts with the members who are minors.

**18.** The minority or non-age of any person duly admitted as a member of any Society shall not debar that person from executing any instrument or giving any acquittance necessary to be executed or given under this Statute or the rules made thereunder, and shall not be a ground for invalidating or avoiding any contract entered into by any such person with the Society and any such contract entered into by any such person with the Society, whether as principal or as surety, shall be enforceable at law by or against such person notwithstanding his minority or non-age.

Contracts by officers of Society.

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

Vote of member.

**20.** No member of any primary Society shall have more than one vote in the conduct of the affairs of the Society:

Provided that in the case of an equality of votes the Chairperson shall have a casting vote.

Manner of exercising vote.

**21.** (1) No member of any primary Society shall at any meeting of the Society exercise his vote except in person:

Provided however, that voting through a representative at any meeting of the Society may be allowed, where it is so provided under the by-laws of the Society.

(2) A Society which is a member of any other Society may appoint any one of its members for the purpose of voting in the conduct of the affairs of such other Society.

Restrictions on transfer of share or interest.

**22.** (1) The transfer of the share or other interest of a member or past member or deceased member in the capital of a Society shall be subject to such conditions as to maximum holding as may be provided by this Statute or prescribed by the rules.



(2) In the case of a Society registered with unlimited liability, a member shall not transfer any share held by him or his interest in the capital of the Society or any part thereof, unless-

(a) he has held such share or interest for not less than one year; and

(b) the transfer is made to the Society, or to a member of the Society, or to a person whose application for membership has been accepted by the Management Committee of the Society.

## PART IV

### PRIVILEGES AND RESTRICTIONS OF THE SOCIETY

Address of  
Society.

**23.** Every Society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall, within a period of seven days of any change of that address notify the Registrar of such change.

Copy of Statute,  
rules, by-laws,  
&c., to be open to  
inspection.

**24.** Every Society shall keep a copy of this Statute and of the rules and of its by-laws and a list of its members open to inspection, free of charge, at all reasonable times at the registered address of the Society.

Society to be a  
body corporate.

**25.** The Society shall, by the name assigned to it be a body Corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

Disposal of  
produce to or  
through Society.

**26. (1)** A Society which has the power to dispose any article which is the produce of agriculture or animal husbandry or any other industry, may provide in its by-laws or may contract with its members-

(a) that every such member who produces any such article, shall dispose of the whole or of any specified amount, proportion or description thereof to or through the Society; and

(b) that any member who is proved or adjudged, in such manner as may be prescribed by rules, to be guilty of a breach of the by-laws or contract, shall pay to the Society as damages a sum ascertained or assessed in such manner as may be prescribed by rules or by its by-laws.

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

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

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

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

Rights of Society over crops, agricultural produce, cattle, implements, raw material and manufactured articles belonging to any member.

27. Subject to any prior claim of the Republic on the property of a debtor and to the lien or claim of a landlord in respect of rent or any money recoverable as rent, and in the case of immovable property, to any prior registered charge thereon-

(a) any debt or outstanding demand payable to a Society by any member or past member shall be a first charge-

(i) upon crops or other agricultural produce raised in whole or in part with a loan taken from the Society by such member or past member;

(ii) upon any cattle, fodder for cattle, agricultural or industrial

implements, or raw materials for manufacture, or workshops, or place of business, supplied to or purchased by such member or past member in whole or in part from any loan whether in money or goods given to him by the Society:

Provided that nothing herein contained shall affect the claims of any *bona fide* purchaser or transferee, for value without notice, of any such crops, or other agricultural produce, cattle, fodder for cattle, or agricultural or industrial implements, or raw materials for manufacture; and

(iii) upon any sum of money due from the Society to such member in respect of the purchase of any scheduled agricultural product;

(b) any outstanding demands or dues payable to a housing Society by any member or past member in respect of rent, shares, loans, or purchase money or any other rights or amounts payable to such Society shall be a first charge upon his interest in the immovable property of the Society.

Charge and set-off in respect of shares or interests of members.

**28.** A Society shall have a charge upon the shares or other interests in the capital and on the deposits of a member or past member or deceased member and upon any dividend, bonus, or profits payable to a member or past member or to the estate of a deceased member in respect of-

- (a) any debt due to the Society;
- (b) any debt due to any other Society;
- (c) any amount due to the liquidator of any Society,

from such member or past member or estate, and may set off, or pay to such other Society, or liquidator, as the case may be, any sum credited

or payable to a member or past member or estate of a deceased member in or towards payment of any such debt or amount.

Share,  
contribution and  
other interest not  
liable to  
attachment or  
sale.

**29.** Subject to the provisions of section 28, the share, contribution or other interest of a member in the capital of a Society shall not be liable to attachment or sale under any decree or order of a court in respect of any debt or liability incurred by such member, and neither his assignee in insolvency nor a receiver appointed under Chapter L of the Civil Procedure Code, shall be entitled to, or have any claim on, such share, contribution or other interest.

Transfer of  
interest on death  
of member.

**30. (1)** On the death of a member, a Society may transfer the share or other interest of the deceased member to the person nominated in accordance with the rules made in that behalf, or, if there is no person so nominated, to such persons as may appear to the Management Committee to be the heir or legal representative of the deceased member, or may pay to such nominee, heir, or legal representative, as the case may be, a sum representing the value of such member's share or other interest, as ascertained in accordance with the rules:

Provided that,

- (a) in the case of a Society with unlimited liability, such nominee, heir, or legal representative, as the case may be, may require payment by the Society of the value of the share or other interest of the deceased member ascertained as aforesaid; and
- (b) in the case of a Society with limited liability, the Society may transfer the share or other interest of the deceased member to such heir or legal representative, as the case may be, who is qualified in accordance with the rules for membership of the Society, or on his application within a period of six months of the death of the deceased member to any person specified in the application who is so qualified.

(2) A Society shall pay all other moneys due to the deceased member from the Society to such nominee, heir, or legal representative, as the case may be.

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

Deposits by or on behalf of minor.

**31.** (1) A Society may receive deposits from or for the benefit of minors and it shall be lawful for a Society to pay to such minors the interest which may become due on such deposits. Any deposits made by a minor may, together with the interest accrued thereon, be paid to that minor and any deposit made on behalf of a minor may, together with the interest accrued thereon, be paid to the guardian of that minor for the use of the minor.

(2) The receipt of any minor or guardian for money paid to him by a Society under this section shall be a sufficient discharge of the liability of that Society in respect of that money.

Liability of past member and estate of deceased member for debts of Society.

**32.**(1) The liability of a past member for the debts of a Society as they existed on the date on which he ceased to be a member shall continue for a period of two years from that date.

(2) The estate of a deceased member shall, for a period of two years from the date of his decease, be liable for the debts of the Society as they existed on the date of his decease.

Register of members.

**33.** Any register or list of members kept by any Society shall be *prima facie* evidence of any of the following particulars entered therein-

(a) the date on which the name of any person was entered in such register or list as a member; and

(b) the date on which any such person ceased to be a member.

Proof of entries  
in books of  
Society.

**34.** (1) A copy of any entry in a book of a Society regularly kept in the course of business shall, if certified in such manner as may be prescribed by the rules, be received in any legal proceeding, civil or criminal, as *prima facie* evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions, and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

(2) No officer of any Society shall in any legal proceedings to which the Society is not a party, be compelled to produce any of the Society's books, the contents of which can be proved under subsection (1) or to appear as a witness to prove any matters, transactions or accounts therein recorded, unless the court for special reasons so directs.

Deposits of  
securities as  
pledges by a  
Society.

**35.** Notwithstanding any provisions of any written, a Society may-

(a) pledge as security for a general balance of account any securities held by it; and

(b) authorize the creditor, in the event of default of payment on the date of the termination of a notice issued to the Society, to sell any or all of such securities, without recourse to court, and to credit the proceeds to such balance of account.

Right to acquire  
and sell property.

**36.** A Society may acquire by purchase, gift or otherwise and take on lease lands, buildings or other movable or immovable property, or sell, mortgage, lease, exchange or otherwise dispose of lands, buildings or other movable or immovable property for any purpose connected with its objects:

Provided, however, that the prior written approval of the Registrar shall be obtained in the case of any such transaction referred to in the preceding provisions of this section as relates to any immovable property or to any such movable property as is specified in the rules made under this Statute.

Compulsory acquisition or purchase of lands and buildings.

**37.** (1) Where any land or building is required for any purpose connected with the objects of a Society, that purpose shall be deemed to be a public purpose and that land or building may be acquired under the Land Acquisition Act (Chapter 460) by the Government or any relevant Statute by the [name of the Province] Provincial Council as the case may be, for that Society.

(2) Where any land or building is to be acquired under the Land Acquisition Act by the Government or any relevant Statute by the [name of the Province] Provincial Council for a Society, that Society shall, before an order relating to that land or building is made under that Act, pay to the Government or [name of the Province] Provincial Council the amount determined under that Act or relevant Statute as the compensation payable in respect of that land or building and also the costs incurred by the Government or [name of the Province] Provincial Council for the acquisition proceedings:

Provided however, that where it becomes necessary to take possession of any land or building on the ground of any urgency before the amount of compensation is determined under that Act or relevant Statute, that Society shall pay to the Government or [name of the Province] Provincial Council as the case may be, before such order is made such amount as in the opinion of the acquisition officer is likely to be determined as the compensation payable in respect of that land or building, and shall pay the balance amount, if any, after the amount of compensation is determined under that Act or relevant Statute.

By-laws of a Society to bind members.

**38.** (1) Every by-law of a Society shall, upon registration, be binding upon the Society and the members thereof to the same extent as if the by-law was signed by each member of the Society and contained a covenant by each such member to observe the provisions of the by-law.

(2) Any dispute arising out of the interpretation of a by-law of a Society shall be referred to the Registrar for his decision, and his decision shall be final and conclusive in law.

Power to make by-laws in

**39.** No by-law made by a Society in respect of any matter for which

restraint of trade.

by-laws are authorized to be made, shall be called in question in any court of law on the ground only that such by-law constitutes a contract in restraint of trade.

Power to make by-laws for the imposition of fines on members.

40. The by-laws made by any Society may, subject to any rules prescribed, provide for the imposition of fines on the members of the Society for contravention of its by-laws:

Provided however, that no such fine shall be imposed on any member unless-

- (a) notice of the intention to impose such fine and the reasons therefor have been given in writing to him by the Society; and
- (b) he has failed to show, within such time and in such manner as may be prescribed by rules, sufficient cause against the imposition of the fine.

## PART V

### EXEMPTIONS FROM STAMP DUTY AND FEES

Exemption from stamp duty and fees.

41. (1) Every Society shall be exempt from-

- (a) any stamp duty chargeable under any Statute of the [name of the Province] in respect of any instrument executed by, or on behalf of, or in favour of a Society, or in cases where but for the exemption granted by this subsection, the Society would be liable to pay the duty chargeable in respect of such instrument or document; and
- (b) any fees payable under the Statute of the [name of the Province] for the time being in force relating to the registration of documents.



(2) Every member of a Society shall be exempt from the payment of any stamp duty chargeable under any Statute of the [name of the Province] in respect of any instrument executed by such member in favour of, and relating to the business of, such Society in cases where but for the exemption granted by this subsection the member would be liable to pay the duty chargeable in respect of such instrument.

## PART VI

### BUSINESS ACTIVITIES, FINANCIAL MANAGEMENT AND RESPONSIBILITIES OF THE SOCIETY

Business activities and annual development projects.

**42.** (1) The duties of the members of the management committee of a Society shall be –

- (a) to achieve its goal by carrying on the approved business activities for fulfilling the needs of its members under the approved development and budgets;
- (b) to be responsible for the losses of the Society caused by negligence, ignorance;
- (c) to cause to prepare, implement, execute and develop the annual budget and projects to fulfill the purpose of the Society;
- (d) to prepare a budget and development scheme for the succeeding financial year and submit them to the general body and get approved before a period of two months prior to the beginning of that financial year and submitting a copy of such budget and development scheme to the Registrar a month prior to such financial year.

Loan facilities of a Society.

**43.** (1) No Society shall grant loans or goods on credit to any person and institution other than members of the Society:

Provided however a Society may grant loans to another Society or

its associate members or its employees with the permission of the general body subject to the terms and conditions. A Society may sell goods on credit to a member of such Society under a contract.

(2) Every loan under subsection (1) shall not be granted without permission of the general body of the Society and shall be for a security of immovable property other than an agriculture product. Further a loan may be granted on a promissory note or fixed asset.

Deposits and loans received by Societies.

**44.** (1) A Society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules.

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

Restrictions on other transactions with non-members.

**45.** Subject to the provisions of sections 43 and 44, the transactions of a Society with persons other than members shall be subject to such prohibitions and restrictions as may be prescribed by rules.

Investment of Society's funds.

**46.** (1) A Society may deposit or invest its funds in any of the securities other than a first mortgage of immovable property or with any banker or person acting as a banker approved for this purpose by the Registrar, or in the shares or on the security of any other Society approved for this purpose by the Registrar, or in any other mode permitted by the rules.

(2) Any deposit or investment made before the commencement of this Statute shall be valid as if such deposit or investment had been made under the provisions of this Statute.

Co-operative  
Development  
Fund.

**47.** (1) Every Society shall have a Co-operative Development Fund.

(2) There shall be paid into the Fund an amount of ten percent of the net profit of the Society and in the case of earning loss, one hundred rupees on or before the date specified by the Registrar.

(3) Any transaction of the Fund shall be done with the approval of Registrar.

Reserve Fund.

**48.** (1) Every Co-operative Society shall have a Co-operative Reserve Fund.

(2) There shall be paid into the Fund an amount of twenty-five percent of the net profit of the Society.

(3) The Registrar may make rules for the administration of this Fund.

Development  
and welfare  
Fund.

**49.** (1) Every Society shall have Development and Welfare Fund.

(2) There shall be paid into the Fund an amount of twenty-five percent of the net profit of the Society.

(3) There shall be paid out of the Fund the expenditure incurred in connection with any social, cultural or recreational purpose, or the advancement of any other object of local or public utility of the Society.

(4) The general body of the Society shall have the control of the Fund.

Utilization of  
balance profit.

**50.** The balance of the net profits may be utilized for all or any of the following purposes: -

(a) payment of dividends to members of the Society on their paid-up share capital at a rate of ten percent or ten percent of the net profit whichever is lower;

(b) payment of discounts to members of the Society on the

value of the business transactions and contracts done by them with the Society to the extent and in the manner as may be specified in the by-laws;

- (c) contribution to any other funds as may be specified in the by-laws;
- (d) grant a bonus of one-month salary or twenty percent of the balance profit whichever is lower as bonus to employees of the Society;
- (e) payment on such other account as may be specified in the by-laws.

## PART VII

### ACCOUNTS AND AUDITS OF THE SOCIETY

Income and expenditure, and accounts of the Society.

**51.** (1) Every Society shall maintain separate accounts for its income and expenditure, assets and liabilities, debts and all transactions in accordance with the Sri Lanka Accounting standards.

(2) Every Society shall prepare an annual statement of accounts and statistics of activities of the Society as may be required by the Registrar or a person authorized by the Registrar. Such statement shall be submitted to the Registrar or a person authorized by the Registrar, prior to the expiry of a period of three months of the succeeding financial year.

(3) Every Society shall prepare a budget and development scheme as may be required by the Registrar.

(4) The budget shall be submitted to the general body of the Society for approval prior to a period of two months of the commencement of the relevant financial year.

(5) The copies of the budget and development scheme shall be forwarded to the Registrar prior to a period of one month of the commencement of the financial year.

(6) The Minister may, upon the consideration of the number of members and the income of the Society, except for the application of the provisions of this section to such Society.

(7) Where any Society contravenes the provisions of this section, it shall be lawful for the Registrar to dissolve the Management Committee of the Society and to take necessary action against the officers responsible for the administration.

(8) Upon the dissolution of the Management Committee of the Society, the Registrar shall exercise, discharge and perform the powers, functions and duties of the Society.

Audit.

52. (1) The Management Committee of the Society shall cause the accounts of the Society to be audited at least once a year by a qualified auditor.

(2) For the purposes of this section “qualified auditor” means –

- (a) an individual who, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant, issued by the Council of such Institute; or
- (b) a firm of Accountants, each of the resident partners of which, being a member of the Institute of Chartered Accountants of Sri Lanka or of any other Institute established by law, possesses a certificate to practise as an Accountant, issued by the Council of such Institute.

(3) The audit shall include the following-

- (a) examination of an overdue debt;
- (b) valuation and verification of assets and liabilities of the Society;

- (c) examination of the organization systems, procedures, books, records and other documents, financial control, presentation of information, capability of continuous evaluation of the activities of the Society, and the effectiveness of systems, procedures, books, records, and other documents;
- (d) examination of the administration and management of the affair of the Society in compliance with the provisions of this Statute, or rules or by-laws made thereunder;
- (e) examination of the efficient utilization of funds;
- (f) examination of the procedure to ensure the safety of money and properties belonging to and under the control of the Society; and
- (g) examination of any matter as may be prescribed by rules.

(4) The qualified auditor shall have the following powers-

- (a) to summon an officer or retired officer or agent or member of the Society or any other person who, in the opinion of the qualified auditor, may have material information about any transactions of the Society or the management or administration of its affairs;
- (b) to require the production of any book or document relating to the affairs of the Society, or any cash, security, or other property belonging to the Society; and
- (c) to take into his custody books of accounts or the documents of the Society where he finds any malpractices.

(5) The Registrar or any person authorized by him shall at all times have access to all the books, accounts, papers and securities of a Society.

(6) It shall be the duty of the officer or member of the Society to

give all such assistance and support as may be required by a qualified auditor.

(7) Every person authorized to audit the accounts of a Society shall be deemed to be a public servant within the meaning of the Penal Code (Chapter 19).

(8)(a) If in the course of, or at the conclusion of, an audit under this section, it is found that a person who is or was entrusted with the organization or management of a Society, or who is or has at any time been an officer or an employee of a Society has made any payment or has used any funds of the Society contrary to the provisions of this Statute or the rules made thereunder or the by-laws of the Society, the Registrar shall disallow every such payment and every such use of funds and surcharge the same on the person making or authorizing the making of such illegal payment or such use of funds and shall charge against any person, the amount of any deficiency or loss incurred by the negligence or misconduct of that person and any amount which ought to have been, but is not, brought into account by that person and shall in each case certify the amount due from such person and communicate his decision in writing to such person.

(b) Before making any disallowance or surcharge against any person, the Registrar, or any person authorized in writing by the Registrar shall offer an opportunity to such person to be heard or to make any representations with regard to the matters which he may think fit, and shall in the event of his making such disallowance or surcharge, furnish such person in writing, on application being made to him for that purpose with the reasons for his decision in respect of such disallowance or surcharge.

(9) The provisions under section 83 shall apply *mutatis mutandis* in a case where the decision made by the Registrar is not complied with.

Communication  
of defect in audit  
to Society.

**53.** (1) If on an audit held under this Part, any defects in the functions of a Society are disclosed, the Registrar may bring the defects to the notice of the Society and if the Society is a member of another Society, also to the notice of that other Society.

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

(3) The Registrar shall take action against the Society, if it violates or neglects the Order issued under subsection (2).

## CHAPTER VIII

### INQUIRIES AND INSPECTIONS IN A SOCIETY

Inquiry.

54. (1) The Registrar may on his own motion, or shall, on the request of a majority of the members of the Management Committee of a Society or of not less than one-third of the members of a Society, hold an inquiry or direct some person authorized by him in writing, to hold an inquiry into the constitution and working and financial condition of the Society.

(2) For the purposes of an inquiry under subsection (1), the Registrar or any person authorized by him to hold an inquiry shall have the power-

- (a) to summon any past or present officer, agent, servant or member of the Society or any other person who, in the opinion of the Registrar or the person authorized by him to inquire, may give material information about any transactions of the Society or the management of its affairs;
- (b) to require the production of any book or document relating to the affairs of the Society, or any cash, security, or other property belonging to the Society by any past or present officer, agent, servant or member of the Society or other person in possession of or having the custody of such book, document, cash, security or other property;
- (c) to summon a general meeting of the members of the Society at such time and place as may be specified by him to determine such matters as may be directed by him; or



(d) to take into his custody books of accounts or the documents of the Society where he discovers a fraud in the course of such inquiry.

(3) Any meeting summoned under subsection (2) shall have all the powers of a general meeting called under the by-laws of the Society and its proceedings shall be regulated by such by-laws except that no *quorum* shall be necessary for such meeting and the provisions of the by-laws relating to the period of notice relating to a general meeting shall not be applicable.

(4) The Registrar or any person authorized by him may preside at such meeting but shall have no vote; in the event of an equality of votes, he shall have a casting vote.

(5) Where an inquiry is held under this section, the Registrar shall communicate the result of the inquiry to the Society and, the Societies where they are members of the Societies and to any bank to which the Society is indebted.

(6) The Registrar and every person authorized by him to hold an inquiry under this section shall be deemed to be public servants within the meaning of the Penal Code.

Inspection of books and investigation of the affairs of a Society.

55. (1) The Registrar may, of his own motion or on the request of a creditor of a Society or not less than one-third of the members who are competent to attend the general meeting of the Society or not less than hundred members of the Society or not less than hundred non-members who deposit in the Society, inspect or direct any person authorized by him in writing to inspect the books of the Society:

Provided that no such inspection shall be made on the application of a creditor unless the applicant-

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

satisfaction within a reasonable time; and

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

(2) The Registrar or any person authorized by him may investigate the affairs of any Society under this section.

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

(a) shall at all times have access to all the books, accounts, papers, and securities of a Society, and shall be entitled to inspect the cash in hand and it shall be the duty of every officer or member of the Society to furnish such information in regard to the transactions of the Society; and

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

(4) The results of any such inspection-

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

(b) where such inspection is held on the application of a creditor, shall be communicated by the Registrar to the creditor and to the Society.

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

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

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

Common  
inspection.

**56.** (1) The Registrar or any officers of the Co-operative Department of the [name of the Province] or persons authorized in writing by him shall have the power to carry out an inspection, access all books, accounts and documents of a Society, and shall be entitled to inspect the cash in hand and it shall be the duty of the officer or employee of the Society to furnish all such information.

(2) The Registrar and every person authorized by him to hold an inquiry under section 54 and inspection under section 55 and this section shall be deemed to be public servants within the meaning of the Penal Code.

## CHAPTER IX

### DISSOLUTION OF MANAGEMENT COMMITTEE AND APPOINTMENTS OF THE MEMBERS TO THE MANAGEMENT COMMITTEE.

Dissolution of  
Management  
Committee or  
dismissal of  
members of  
Management  
Committee.

**57.** (1) Where the Registrar is of the opinion after an inquiry under section 54 or inspection under sections 55 or 56, that the Management Committee of any Society does not perform its duty properly, he may, after giving an opportunity to the Management Committee to state its objections if any, make any order specified in subsection (2) after considering such objections.

(2) The Registrar shall-

(a) order to dissolve the Management Committee of such Society and appoint a new Management Committee to the Society or issue an order to dismiss members of the Management Committee and appoint new members to the Management Committee of the Society at a general meeting summoned by him or any other person authorized in writing by him;

(b) where a general body of a Society fails to comply with an order issued under paragraph (a), dissolve such Management Committee of the Society and on the advice of the Minister appoint a temporary Administrative Council consisting of three members. The Registrar shall nominate the President, Secretary and Vice-President of such temporary Administrative Council.

(3) The membership of the members of the Management Committee of the Society dissolved shall, on the appointment of such temporary Administrative Council become void.

(4) It shall be the duty of the temporary Administrative Council to summon the general body of the Society and elect a new Management Committee in accordance with the by-laws within a period of six months from the date of appointment of such Administrative Council. Such Management Committee shall hold office for the remainder of the period of office of dissolved the Management Committee of the Society.

(5) No members of the Management Committee dissolved shall be elected to the succeeding Management Committee of any Society for a period of five years from the date of dissolution.

(6) Where the temporary Administrative Council fails to elect a new Management Committee, within the period of six months, the term of the Administrative Council shall be for the remainder of the period of the Management Committee dissolved.

(7) The Registrar shall have the power to extend the period of the Administrative Council, until the election of a new Management Committee to the Society.

(8) The Registrar may dismiss or replace the members of such Administrative Council at any time.

(9) Where the temporary Administrative Council is not formed by the Registrar, the Registrar shall appoint one or more persons to manage and administer the affairs of the Society and may at anytime remove or replace any person so appointed.

(10) Any person appointed by the Registrar under subsection (9) to manage and administer the affairs of a Society-

(a) shall have the power to recover the assets and discharge the liabilities of the Society and take such other steps as may be necessary for the interest of the Society; and

(b) may exercise all the powers, rights and privileges of a duly constituted Management Committee of the Society and further, may exercise, discharge and perform the powers, functions and duties of a general body of the Society.

(11) Every person appointed under subsection (9) shall be individually and jointly responsible for any loss sustained through any such acts committed by such person as are contrary to this Statute, rules or by-laws of the Society.

(12) The Registrar may determine the remuneration payable to any person appointed under subsection (9) and such remuneration and other expenses, if any, incurred in the management or administration of the Society shall be payable from its Fund.

(13) Every person appointed under subsection (9) shall have the duty to elect a new Management Committee to the Society in accordance with the by-laws.

Suspension,  
interdiction or  
removal of  
employees or  
officers of  
Society.

58. (1) If the Registrar is of the opinion after an inquiry under section 54, or an inspection under sections 55 or 56, that any officer or employee of any Society-

(a) does not exercise, discharge and perform his powers, functions and duties in a proper manner;

(b) is unfit or otherwise unable to exercise, discharge and perform the powers, functions and duties efficiently; or

(c) undermines the respect of the Society or property of the Society,

he may, notwithstanding anything to the contrary in this Statute, the Co-operative Employees' Commission Act, No. 12 of 1972 (*name of the Statute if any*), after giving such officer or employee an opportunity to state his objections, suspend or interdict such officer or employee pending such inquiry:

Provided that any employee aggrieved by a decision of suspension or interdiction made under this subsection, may appeal to the Co-operative Employees' Commission established under Act, No. 12 of 1972 (*name of the Statute if any*), within a period of thirty days, and the decision of such Commission shall be final.

(2) Where a Management Committee of a Society commences to conduct a disciplinary inquiry against any present or past officer, or employees, the Management Committee may appoint a suitable officer as an inquiry officer on the advice of the Registrar or Provincial Co-operative Employees' Commission.

(3) For the purposes of subsection (2), the Registrar shall make arrangements to select a pool of inquiry officers who are fit to be appointed as such inquiry officers.

(4) Where an employee who is suspended or interdicted in the pending inquiry proves that he is innocent, he shall be reinstated with

the arrears of remuneration for that suspended or interdicted period.

## CHAPTER X

### MANAGEMENT OF A SOCIETY OPERATING WITH PROVINCIAL FUND OR STATE FUNDS

A Society which  
functions with  
Provincial Fund  
or State funds.

**59.** (1) Where a Society obtains a loan, advance or grant from the Provincial Fund or State funds, every such loan, advance or grant shall be subject to the following conditions-

- (a) the Society shall obtain the approval from the Registrar in writing to purchase, lease out, or accept a gift or donation of any movable or immovable property or to alienate or exchange such property in relation to its objects; or
- (b) the funds of the Society shall be deposited or invested in any promissory notes, debentures, stock, or other securities of the Government or with any State bank or institution approved by the Central Bank of Sri Lanka or in the shares or on the security of any other Society approved by the Registrar, or in any other manner specified in the by-laws.

(2) Where the Registrar is of opinion after an inquiry or inspection into the books of the Society that the Management Committee of the Society operating with the Provincial Fund or State funds does not perform its duties as required, he may after giving such Management Committee an opportunity to state its objections if any, to its dissolution report his findings to the general body summoned by him in accordance with the by-laws and such general body of the Society shall remove the Management Committee within the time specified by the Registrar.

(3) Where the general body of the Society fails or neglects to do so, the Registrar shall remove the Management Committee and require the general body to appoint a Board of Management.

(4) Where the general body fails to appoint a Board of

Management within a period of fourteen days, the Registrar may appoint a suitable person or persons to manage the affairs of such Society.

(5) The members of the Management Committee so removed shall not be eligible to be elected to office of any Society for a period of five years from the date of such removal.

(6) The provisions of subsections (3) to (8) of section 57 shall *mutatis mutandis* apply to the Board of Management appointed under this section.

(7) Where the Registrar is of opinion that it is necessary or expedient to do so for the purpose of ensuring efficient management of the affairs of a Society operating with Provincial Fund or State funds or for the purpose of safeguarding any investments or advances in money or goods made to such Society by the [name of the Province] Provincial Council or Government, he may nominate such number of persons to be members of the Management Committee of such Society:

Provided that the number of such nominated members shall be less than one half of the total number of members of such Management Committee:

Provided further, upon the nomination of President or Vice-President, the persons holding such office shall be deemed to have ceased to hold such office.

## CHAPTER XI

### LIQUIDATION OF A SOCIETY

Dissolution of a Society.

60. (1) If the Registrar, after an inquiry under section 54 or an inspection made under sections 55 or 56 is of opinion that the Society ought to be dissolved, he may, by his written order cancel the registration of the Society.



(2) Any member or any creditors of a Society may within a period of two months from the date of an order under subsection (1) appeal from such order to the Minister.

(3) Where no appeal is made within a period of two months under subsection (2), the order shall take effect on the expiry of that period.

(4) Where an appeal is made within a period of two months, the order shall not take effect until it is confirmed.

(5) Where the Registrar cancels the registration of a Society under this section, he may appoint one or more persons to be in charge of the books, documents and other property of the Society and to manage the affairs of the Society until the order cancelling the registration of the Society takes effect or until such order is reversed in appeal by the Minister.

(6) On the appointment of such person or persons, the Management Committee of the Society or any other person in charge of the books, documents and other property of the Society shall hand over such books, documents or property to the first mentioned person or persons and such Management Committee shall, until the order cancelling the registration takes effect or until such order is reversed in appeal by the Minister, cease to function.

Cancellation of registration of a Society.

**61.** The Registrar may issue an order in writing to cancel the registration of any Society, where -

(a) it is a condition of the registration of the Society that the Society shall consist of at least twenty members if the number of members of such Society has been reduced to less than twenty;

(b) such Society has not commenced its functions during the period of one year from the date of registration; or

- (c) such Society has ceased to function for a period of two years prior to such order.

Effect of cancellation of registration of a Society.

**62.** Where the registration of a Society is cancelled by an order under section 60 or section 61, the Society shall cease to exist as a corporate body from the date on which the order takes effect.

Liquidation after cancellation of registration of a Society.

**63.** (1) Where the registration of a Society is cancelled by order under section 60 or section 61, the Registrar may appoint one or more persons to be liquidator or liquidators of the Society.

(2) All the property of the Society shall vest in the liquidator or liquidators on the date on which the order of cancellation under section 60 or 61 as the case may be, takes effect.

(3) Any privileges conferred on the Society under this Statute shall be deemed to be vested in any liquidator or liquidators appointed by the Registrar.

Liquidator's power.

**64.** (1) A liquidator or liquidators shall, subject to the guidance and control of the Registrar and any limitation imposed by the Registrar by order under section 65, have power to-

- (a) determine from time to time the contributions to be made by members and past members or by the estates of deceased members of the Society to its assets;
- (b) appoint a day by notice before which creditors whose claims are not already recorded in the books of the Society shall state their claims for admission or be excluded from any distribution made before they have proved them;
- (c) decide in accordance with the provisions of this Statute any question of priority which arises between creditors;
- (d) refer for arbitration under section 69 any dispute of any description mentioned in that section and institute and

defend suits and other legal proceedings on behalf of the Society by his name or office;

- (e) decide by what persons and in what proportions the costs of liquidation are to be borne;
- (f) give such direction in regard to the collection and distribution of assets as may be necessary in the course of winding up the Society;
- (g) compromise any claim by or against the Society provided the sanction of the Registrar has first been obtained;
- (h) call such general meetings of members as may be necessary for the proper conduct of the liquidation;
- (i) take possession of the books, documents and assets of the Society;
- (j) deposit the money, obtained by selling properties and collected in the process of winding up as per the order of the Registrar;
- (k) carry on the business of the Society so far as may be necessary for winding it up beneficially, provided that nothing herein contained shall entitle the liquidator of a credit Society to issue any loan; and
- (l) arrange for the distribution of the assets of the Society in a convenient manner when a scheme of distribution has been approved by the Registrar.

(2) Where there is any debt payable by any member or past member to a Society whose registration is cancelled by order under section 60 or section 61 and such person is a member of any other Society registered under this Statute after the date of such cancellation, then the liquidator of such first mentioned Society appointed under

section 63 shall subject to the guidance and control of the Registrar and to any other limitations imposed by the Registrar by order under section 65, have power to require that such other Society shall recover from any sum of money due from such Society to such person, a sum not exceeding such debt in like manner as if it was a debt due from such member to such other Society and transmit the same to the liquidator.

(3) Subject to such rules as may be made in that behalf, any liquidator appointed under this Statute shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon any witnesses and require the attendance of parties and witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a District Court under the Civil Procedure Code.

Powers of Registrar to control the liquidation.

**65.** (1) A liquidator shall exercise his powers subject to the control and direction of the Registrar who may-

- (a) rescind or vary any order made by a liquidator and make whatever new order as required;
- (b) remove a liquidator from office;
- (c) call for all books, documents, and assets of the Society;
- (d) by order in writing limit the powers of a liquidator under section 64;
- (e) require accounts to be rendered to him by the liquidator at his discretion;
- (f) procure the auditing of the liquidator's accounts and authorize the distribution of the assets of the Society;

(g) make order for the remuneration of the liquidator; or

(h) refer for arbitration any dispute (not being a dispute between the liquidator and any third party, if such party consents in writing to be bound by the decision of the arbitrator).

(2) The Registrar shall create a Fund called and known as the Co-operative Fund in respect of liquidation and pay into the Fund the money collected by the liquidators and such Fund shall be operated by the Registrar.

Enforcement of order.

**66.** (1) The decision of an arbitrator on any matter referred to him under section 65 shall be binding upon the parties and shall be enforceable in like manner as an order made by the Register under that section.

(2) An order made by a liquidator or by the Register under section 64 or section 65 shall not be called in question in any civil court, and shall be enforced by any civil court having jurisdiction over the place where the registered office of the Society is situated in like manner as a decree of that court:

Provided that any bank which is a creditor of a Society whose registration has been cancelled shall be entitled to appeal to the Minister from an order made by a liquidator or by the Registrar under section 64 or section 65 within a period of two months from the date of such order of the liquidator or Registrar.

(3) Where no appeal is made to the Minister within a period of two months of the making of an order by a liquidator or by the Registrar under section 64 or section 65, such order of the liquidator or the Registrar shall take effect on the expiry of that period. Where an appeal is presented to the Minister within the two months, the order of the liquidator or the Registrar shall not take effect until it is confirmed by the Minister.

Limitation of the jurisdiction of the civil Court.

67. Save in so far as herein before expressly provided, no civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a Society under this Statute.

Closure of liquidation.

68. (1) In the liquidation of a Society whose registration has been cancelled, the funds including the reserve fund shall subject to section 44(2), be used-

- (a) first to the cost of the liquidation;
- (b) then to the repayment of Government or [name of the Province] Provincial Council loans and Government or [name of the Province] Provincial Council guaranteed loan;
- (c) then to the discharge of other liabilities of the Society;
- (d) then to the payment of the share capital;
- (e) then provided the by-laws of the Society permit, to the payment of a dividend at a rate not exceeding six percent per annum for any period for which no disposal of profits was made; and
- (f) the payment of a rebate to members for any period for which no disposal of profits has been made where such period is immediately preceding the date of dissolution.

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

(3) Any surplus remaining after the application of the funds to the purpose specified in subsection (1), and the payment of any claims for which an action is instituted under subsection (2) may be applied to

such object of local or public utility as may be selected, subject to the approval of the Registrar, by the persons who were officers of the Society at the date of the dissolution thereof.

(4) If such person fails to select as aforesaid an object approved by the Registrar, within a period of three months after the date on which the liquidation of the Society is closed, the Registrar shall deposit the surplus in a bank or with a Society.

(5) The surplus so deposited may be paid into such Surplus Fund as may be constituted for the purpose of this Statute. Disbursement out of such fund may be made at the discretion of the Registrar for such purposes and in such manner as may be provided in the rules:

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

(6) A person appointed as liquidator under this Chapter shall be deemed to be a public officer within the meaning of the Penal Code.

## CHAPTER XII

### DISPUTES

Settlement of  
disputes.

69. (1) If any dispute touching the business of a Society arises-

- (a) among members, past members and persons claiming through members, past members and deceased members, or among officers or employees of the Society, whether past or present, or among heirs or legal representatives of deceased officers or employees;
- (b) between a member, past member or person claiming through a member, past member or deceased member,

and the Society or Management Committee, whether past or present, or any heir or legal representative of any deceased officer or employee;

(c) between the Society or its committee and any officer or employee of the Society, whether past or present, or any heir, or legal representative of any deceased officer or employee; or

(d) between the Society or its Management Committee and

(i) any person who was a member or an officer or employee of any other Society whose business or part thereof was transferred to the Society;

(ii) any person who claims through any member or past member or deceased member of the Society;

(iii) any person who is the heir or legal representative of any officer or employee of the Society; or

(e) between the Society and any other Society,

such disputes shall be referred to the Registrar for decision.

(2) A claim by a Society for any debt, demand, or damages due to it from a member, officer or employee, whether past or present, or any nominee, heir or legal representative of a deceased member, officer or employee, whether such debt demand or damages be admitted or not shall be deemed to be a dispute related to the business of a Society within the meaning of this section.

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

-

(a) decide the dispute himself; or

(b) refer it for disposal to an arbitrator or arbitrators.



(4) Any party aggrieved by the award of the arbitrator or arbitrators may appeal against such award to the Registrar within a period of thirty days from the date of such award given. The grounds for appeal shall be specified in the appeal.

(5) Where any appeal is preferred by a party who made a complaint or a party in whose favour the award has been granted, he shall deposit ten *per centum* of his claim or the award respectively:

Provided however, the amount of deposit shall in any circumstances not be less than five hundred rupees and not more than ten thousand rupees.

(6) A decision of the Registrar on the appeal shall be final and conclusive.

(7) The award of the arbitrator or arbitrators shall, if no appeal is preferred to the Registrar under subsection (3) or if any such appeal is abandoned or withdrawn, be final and conclusive.

(8) The provisions of the Prescription Ordinance shall not apply to any claim which is the subject of a dispute under this section.

(9) If any question arises whether a dispute referred to the Registrar under this section is a dispute touching the business of a Society, the decision of the Registrar shall be final and conclusive.

(10) In this section "member" includes an associate member.

Enforcement of a decision or award.

**70.** (1) Where a decision of the Registrar on a dispute or an appeal referred or made to him under section 69 (hereinafter in this section called a "decision") or an award of an arbitrator on a dispute referred to him under that section, from which award no appeal has been duly made to the Registrar under that section, (hereinafter in this section called an "award") is that a sum of money is due from one party to the dispute to another party to the dispute, and such sum together with costs and interest, if any, has not been paid, the Registrar may, in respect of the party from whom such sum is due, (hereinafter in this section called the "defaulter").

- (a) issue a certificate to the Divisional Secretary of the Division, fiscal or deputy fiscal, containing particulars of such sum, together with costs and interest, and the name of such defaulter;
- (b) issue a certificate containing particulars of the amount due and the name and last-known place of business or residence of the defaulter to a Magistrate having jurisdiction in the division in which such place is situated; or
- (c) issue a certificate to a District Court having jurisdiction in any district where the defaulter resides or in which any property movable or immovable owned by the defaulter is situate, containing particulars of the sum due together with costs and interest, if any, and the name of the defaulter.

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

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

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

- (i) first in payment of the cost and charge of seizing,

keeping and selling the property;

(ii) secondly in settlement of the sum of money due together with costs and interest, and

any balance shall be restored to the owner of the property seized.

(3) Notwithstanding the provisions of this Statute or any written law, where a sum of money is due from one party to a Society which is the other party in a dispute under section 69, by an award or decision of an appeal, such first party may be considered as a defaulter, and if that Society holds any money or property of such party as security regarding this dispute or in any other way, the Society may recover the dues from such party and charge the cost of such recovery from that security bond or, in case of that security being a movable property, sell such property in a public auction.

(4) Where a certificate is issued to a Magistrate under subsection (1), the Magistrate shall thereupon summon such defaulter before him to show cause why further proceedings for the recovery of the amount should not be taken against him, and in default of sufficient cause being shown, the amount shall be deemed to be a fine imposed by a sentence of the Magistrate on such defaulter for an offence punishable with fine only or not punishable with imprisonment, and the provisions of section 291 of (except paragraphs (1) and (4) of subsection (1) of section 291) the Code of Criminal Procedure Act, No. 15 of 1979 shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that section he could have made at the time of imposing such sentence.

(5) (a) Where the Registrar is of opinion that recovery of the amount in default is impracticable or where the full amount due has not been recovered in terms of subsection (4), then he may issue a certificate to the District Court having jurisdiction in any district where the defaulter resides or in which any property movable or immovable of such defaulter is situate.

(b) The District Court shall thereupon direct a writ of execution to issue to the Fiscal authorizing and requiring him to seize and sell all the property movable and immovable of the defaulter or such part thereof as he may deem necessary for the recovery of the amount so due and the provisions of sections 226 to 297 of the Civil Procedure Code (Chapter 101) shall *mutatis mutandis* apply to and in relation to such seizure and sale.

(6) The correctness of any statement in a certificate issued to the Court for the purpose of this section, shall not be called in question or examined by the Court in any proceedings under this section, and accordingly nothing in this section shall authorize the Court to consider or decide the correctness of any statement in a certificate issued to the Court. The Certificate issued to the Court shall be conclusive evidence that the amount due under this Statute from the defaulter has been duly calculated and that such amount is in default.

(7) Where a certificate is issued to a District Court under subsection (1), the Court shall thereupon direct a writ of execution to issue to the fiscal authorizing and requiring him to seize and sell all or any of the property movable and immovable of the defaulter, or such part thereof as he may deem necessary for the recovery of such sum, and the provisions of sections 226 to 297 of the Civil Procedure Code shall, *mutatis mutandis*, apply to such seizure and sale.

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

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

Registrar to  
decide certain  
other matters.

**71.** (1) Where the application for membership of a Society made by any person is refused by the Society, such person may appeal to the

Registrar against that refusal and the decision of the Registrar on such appeal shall be final and binding on the Society.

(2) Where any question arises as to whether a member of a Society has been duly elected to any office of the Management Committee of the Society or whether a member has ceased to be a member or officer of the Society or whether any general meeting of the Society had been validly held, that question shall be decided by the Registrar whose decision shall be final.

## CHAPTER XIII

### RULES

Rules.

72. (1) The Minister may make all such rules relating to all matters required to be prescribed and as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Statute.

(2) In particular, and without prejudice to the generality of the powers conferred by subsection (1), such rules may –

- (a) prescribe the conditions to be complied with in applying for the registration of a Society and the procedure in the matter of such applications;
- (b) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time and the payment to be made and interest to be acquired before exercising rights of membership;
- (c) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled, and for the liabilities of past members;
- (d) prescribe the extent to which the Society may limit the number of its members;

- (e) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;
- (f) prescribe the maximum number of shares or portion of the capital of a Society which may be held by a member;
- (g) prescribe the payments to be made, the conditions to be complied with, and the forms of the bonds, instruments or other documents to be executed by members applying for loans or cash credits, the period for which loans may be made or credits granted, and the maximum amount which may be lent and the maximum credit which may be allowed to individual members;
- (h) prescribe the conditions under which profits may be distributed to the members of a Society with unlimited liability, and the maximum rate of dividend which may be paid by Society;
- (i) regulate the manner in which funds may be raised by means of shares or debentures or otherwise and the rate of interest which may be paid on deposits;
- (j) provide for general meetings of the members, and for the procedure at such meetings and the powers to be exercised at such meetings;
- (k) provide for the appointment, suspension and removal of the members of the Management Committee and other officers, and for the procedure at meetings of the Management Committee, and for the powers to be exercised and the duties to be performed by the Management Committee and other officers;
- (l) prescribe the matters in respect of which a Society may or shall make by-laws, and the procedure to be followed in making, altering, and rescinding by-laws, and the conditions to be satisfied prior to such making, alteration, or rescission;
- (m) prescribe the accounts and books to be kept by the Society,

and for the periodical publication of a balance sheet showing the assets and liabilities of a Society;

- (n) provide for the audit of the accounts of the Society and the charge, if any, to be made for such audit and provide for the levy of contributions from any Society to a Fund to be known as the Co –operative Fund, to be used for the audit and supervision of and assistance to existing Societies and co – operative propaganda, for co-operative education and training, and provide for the administration of that fund;
- (o) prescribe the returns to be submitted by the Society to the Registrar, and the persons by whom and the form in which the same are to be made;
- (p) provide for the persons by whom, and the form in which, copies of entries in books of the Society may be certified;
- (q) provide for the formation and maintenance of a register of members and where the liability of the members is limited by the shares, of a register of shares;
- (r) provide for the maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of any Society;
- (s) prescribe the manner in which any question as to the breach of any by – law or contract relating to the disposal of product to or through a Society may be determined, and the manner in which the liquidated damages for any such breach may be ascertained or assessed;
- (t) prescribe the mode of appointing an arbitrator or arbitrators, and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators;
- (u) prescribe the conditions to be observed by a Society applying for financial assistance from State funds or the Provincial Fund;
- (v) determine the cases, not expressly provided for in this

Statute, in which an appeal shall lie to the Minister against orders made by the Registrar;

- (w) prescribe the procedure to be followed by a liquidator appointed under section 63 and the cases in which appeals shall lie from the orders of such liquidator;
- (x) provide for the establishment and maintenance of the Surplus Fund and prescribe the manner and purposes for which the moneys of such Fund may be disbursed;
- (y) prescribe the forms to be used, the fees to be paid, the procedure to be observed, submissions, inquiry, handling and all other matters connected with appeals made under this Statute or the rules made thereunder; and
- (z) decide the qualification for the election of a member of a Society, Management Committee or branch as specified in the Statute.

(3) No rule shall have effect, unless it is approved by the [name of the Province] Provincial Council. Notification of such approval together with the rules shall be published in the *Gazette*.

(4) Every rule shall, upon publication in the *Gazette*, come into operation.

## CHAPTER XIV

### DEBTS DUE TO THE GOVERNMENT OR PROVINCIAL FUND

Recovery of sums due to the [name of the Province] Provincial Fund or to the Government.

**73.** (1) All sums due from a Society, or from an officer or member or past member of a Society as such, to the Government or [name of the Province] Provincial Fund including Government guaranteed loans and any costs awarded to the Government or [name of the Province] Provincial Fund may be recovered in a manner provided for the recovery of debts due to the Republic by the Crown Debtors Ordinance,



and shall be entitled to a preference of payment over sums due to any other person or persons.

(2) Sums due from a Society to Government or [name of the Province] Provincial Fund and recoverable under this Statute may be recovered, first by from the property of the Society; secondly in the case of a Society of which the liability of the members is limited, from the members, subject to the limit of their liability; and thirdly, in the case of other Societies, from the members, subject to the limit of their liability; and fourthly, in the case of other Societies, from the members.

Restriction of use of word "Co-operative".

74. (1) No person other than a Society shall, without the sanction of the Minister, trade or carry on business under any name or title of which the word "Co-operative ", or in Sinhala the words" Eksath Sahakara " or " Samupakara " or in Tamil the word " Aikkiya " or " Kutturavu " form part.

(2) Any person who contravenes the provisions of subsection (1) shall be guilty of an offence and be liable on conviction after summary trial by a Magistrate's Court to a fine not exceeding five thousand rupees, and in the case of a continuing offence, with a further fine of five hundred rupees for each day on which the offence is continued after conviction therefor.

Registrar may order repayment or restoration of money or other property due to a Society.

75. (1) Where in the course of an audit under section 52 or an inquiry under section 54, or an inspection under section 55 or section 56 or in the course of the liquidation of a Society, it appears that any sum of money or other property is due to the Society from any person or group of persons who or which has taken part in the organization or management of the Society or from any past or present officer or employee of the Society, the Registrar may, of his own motion or upon the application of the Management Committee or liquidator or any creditor or contributor of the Society, as the case may be, examine the conduct of such persons or officer or employee and make an order requiring him or such group-

(a) to repay with such interest as the Registrar thinks fit

such money or part thereof;

(b) to restore such other property or part thereof; or

(c) to contribute such sum as the Registrar thinks fit to the assets of the Society by way of compensation.

(2) Before making any such order against any person or group of persons, the Registrar shall give that person or group of persons an opportunity of being heard and of showing cause why such order should not be made.

(3) Where an order under subsection (1) for the repayment of any sum to a Society, or for the contribution of any sum to its assets by way of compensation, has not been complied with, such sum may be recovered by the Society on application to the Magistrate having jurisdiction in the division in which the registered place of business of the Society is situated or in which the person or group of persons or officer or employee against whom the order was made resides or carries on business, as though it were a fine imposed by a sentence of the Magistrate on such person or group of persons or officer or employee for an offence punishable with fine only or not punishable with imprisonment, and the provisions of section 219 of the Code of Criminal Procedure Act, No. 15 of 1979 (except paragraphs (a) and (c) of subsection (1) of that section) shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that section, he could have made at the time of imposing such sentence. Nothing in this section shall authorize or require the Magistrate in any proceedings thereunder to consider, examine or decide the correctness of any order made by the Registrar.

(4) Neither the preceding provisions of this section nor the making of any order thereunder may be deemed or construed to preclude or otherwise affect the institution or maintenance of a prosecution against any person or group of persons, or officer or employee in respect of any

offence under any other written law.

Declaration of assets and liabilities.

76. (1) Every member of a Management Committee of a Society shall make, to the Commissioner of Co-operative Development in the prescribed form, an annual declaration of-

- (a) all his assets and liabilities;
- (b) all the assets and liabilities of his spouse; and
- (c) all the assets and liabilities of each of his dependent children,

as on the 31<sup>st</sup> day of March of the year in respect of which such declaration is made.

(2) The declaration referred to in subsection (1) shall be made by the members of the Management Committee of a Society to the Commissioner of Co-operative Development, within a period of three months of the election or appointment as the case may be, as such members, before the first day of July of every year following the year in which they made their declaration.

Liability of officers and others for breach of trust.

77. It shall be lawful for the Registrar, after the accounts of a Society have been audited as provided in section 52 or after an inquiry under section 54 or an inspection under section 56 or section 56, to require any person, being a person who is or has at any time entrusted with or being a person having, or at any time having had, the dominion of any money in his capacity as an officer or a member or a servant of the Society, to pay over or produce such amount of money or balance thereof which is shown in the books of accounts or statements kept or signed by such officer, member or servant; and if such person, upon being so required, fails to pay over or produce such amount of money or balance thereof forthwith or to duly account therefor, he shall be guilty of the offence of criminal breach of trust, and shall on conviction be subject to imprisonment of either description for a term which may extend to ten years and shall also be liable to a fine.

Registrar may order bank to prove any information.

78. Notwithstanding anything in any other written law, the Registrar may, where he considers it necessary to do so, require any bank-

- (a) to furnish any information regarding the transactions of any Society with the bank;
- (b) to produce a copy showing the account of the Society with the bank from the ledger kept by the bank; or
- (c) to produce any cheques paid to the credit of the Society or endorsed by the Society.

*Locus standi* of a prosecution.

79. It shall be lawful for an officer of the Co-operative Department to investigate, inquire and proceed with a prosecution in respect of the matters within the Chapter XVII of Criminal Procedure Code Act, No. 15 of 1979.

The Company Act and the Trade Unions Ordinance are not applicable.

80. The provisions of the Companies Act, No. 07 of 2007, and of the Trade Unions Ordinance shall not apply to Societies registered under this Statute.

Actions based on existing rules of the Societies.

81. (1) Every Society registered or deemed to be registered under the Co-operative Societies Law, No. 5 of 1972 shall be deemed to be registered under this Statute, and the by – laws of such Society shall, so far as they are not inconsistent with the express provisions of this Statute, continue in force until altered or rescinded.

(2) All rules made under the Co-operative Societies Law, No. 5 of 1972 and in force at the time of the commencement of this Statute shall, in so far as they are not inconsistent with the provisions of this Statute, be deemed to have been made under this Statute and shall continue in force until new rules are made under section 72 of this Statute in substitution for those rules.

(3) All appointments and orders made, notifications and notices issued, awards given by arbitrators, decisions made by the Registrar

and suits and other proceedings instituted or deemed to have been made, issued, given or instituted and all disputes that have arisen under the Co-operative Societies Law, No. 5 of 1972, shall be deemed to have been respectively made, issued and instituted and to have arisen under this Statute.

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

82. Where any Society carrying on banking business of any kind has insured its deposits under Part II of Chapter V of the Monetary Law Act, the assets relating to the deposits insured under that Part, shall notwithstanding anything in any other provisions of this Statute, not be utilized for any purpose other than to meet the liabilities relating to such deposits.

Penalty.

83. (1) Every Society or an officer or employee or member thereof which or who willfully neglects or refuses to do any act or furnish any information required for the purpose of this Statute by the Registrar or other person authorized by him in writing in that behalf, and every person who willfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this Statute, and every Society or officer or employee or member thereof which or who willfully makes a false return or furnishes false information, shall be guilty of an offence under this Statute.

(2) Every person who commits any offence referred to in section 81(1) shall, on conviction after summary trial before a Magistrate, notwithstanding that it is beyond the jurisdiction of a Magistrate, be punished with imprisonment of either description for a period not exceeding two years or with a fine not exceeding twelve thousand rupees.

(3) Where any offence under this Statute is committed by a Society, every officer of the Society bound by the by-laws or the rules to perform any duty whereof the offence is a breach, or if there is no such officer, then every member of the Management Committee, unless that member is proved to have been ignorant of or to have attempted to prevent the commission of the offence, shall be liable to the same

penalty as if he had committed the offence.

Right of the Registrar to summon any meeting of the Management Committee or Society.

84.(1) The Registrar or a person authorized by the Registrar may, specifying a time and place, summon a special general meeting of a Society. The *quorum* for such meeting shall be ten members or representatives, who are competent to vote at such meeting. The notice for such meeting shall be issued forty-eight hours prior to such meeting. Such special general meeting shall have the rights specified in any by-laws of the Society including the amendments to the by-laws.

(2) The Registrar or person authorized by the Registrar may summon a special meeting of the Management Committee of a Society a specified venue and time. The *quorum* of such meeting shall be not less than three members of the Management Committee. The notice for such meeting shall be issued forty-eight hours prior to such meeting. Such meeting shall have the rights specified in any by-law of the Society including the amendments to the by-laws.

(3) Where the special general meeting of the Society or special meeting of the Management Committee is summoned by the Registrar or the person authorized by the Registrar, the Registrar or the person authorized, by the Registrar shall have the power to request the production of the books and documents which he thinks necessary, and it shall be the duty of the Secretary to obey such order.

(4) The Registrar or person authorized by him shall preside at such meeting, but such Chairperson shall have no right to vote, however, when there is an equality of votes, he shall have a casting vote.

(5) The Registrar or the authorized person by him shall, at the general meeting of the Society or Management Committee of the Society have the right to be present and address the meeting, have no right to vote.

..... text to prevail in event of inconsistency.

85. In the event of any inconsistency between Sinhala and Tamil text of this Statute, *the* ..... text shall prevail.

Interpretation.

86. In this Statute, unless the context otherwise requires-

“by-laws” means the registered by-laws for the time being in force and includes a registered amendment of the by – laws;

“Management Committee” means the governing body of a Society to whom the management of its affairs is entrusted and includes the Board of Directors of a Society, and persons appointed by the Registrar under section 60;

“member” means and includes a person joining in the application for the registration of a Society, and a person admitted to membership after registration in accordance with the rules and by – laws;

“Minister” means the Minister assigned the subject of Cooperatives in the Board of Ministers of the [name of the Province];

“officer” includes every person who is the Chairperson, Secretary, Treasurer or Manager of a Management Committee of a Society or any branch thereof or a member of the Management Committee of a Society, and any other person who is empowered by the rules or by -laws of a Society to give directions in regard to the business of the Society;

“primary Society” means a Society which is registered or is being registered, and which consists of individuals as its members;

“Registrar” means the person who is appointed to carry out

the duties of Registrar of Co-operative Societies under this Statute;

“Society” means a registered Co-operative Society which consists of individuals as its members, or a registered Co-operative Society (Union) which consists of such registered societies as its members, or a Society (Federation) consists of such registered Co-operative Societies (union); and

“State funds” means loans, advances, and grants granted by the government and includes government funds.