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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

THE CO-OPERATIVE SOCIETIES LAW No. 05 OF 1972

RULES made by the Minister of Foreign and Internal Trade under Section 61 of the Co-operative Societies Law No. 05 of 1972 and approved by the National State Assembly on November, 20, 1973.

T. B. ILLANGARATNE,
Minister of Foreign and Internal Trade.

Colombo,
26th December, 1973.

Rules

1. These rules may be cited as the Co-operative societies Rules, 1973. Short title
2. Every application for the registration of a society shall :- Registration
 - (i) be made in such form as the Registrar may prescribe ;
 - (ii) be signed by all the original members of the society or where the original members of such society are registered societies, by a person authorized by the by-laws of each such registered society to sign ;
 - (iii) be accompanied by an economic feasibility statement in respect of the proposed activities of the co-operative society.
3. Where the Registrar refuses to register a society an appeal against such refusal may be made to the Minister by any of the signatories to the application for registration, provided that such appeal shall be made in writing within 30 days of the date on which such refusal was communicated by the Registrar. Appeals to the Minister against refusal to register
4. Upon registration of a society, the Registrar shall :-
 - (i) issue to the society a certificate of registration in the form set out in the schedule hereto together with a copy of the Co-operative Societies Law and the Rules made thereunder in the language in which the books of the society are to be kept ; and

(ii) sign and return to the society one copy of its by law which accompanied the application for registration.

Membership

5. Admission of persons as members of a registered society shall be in accordance with, and subject to such conditions as may be prescribed by the by-laws of that society.

6. Any registered society may admit as a member any other registered society in accordance with and subject to such conditions as may be prescribed by the by-laws of that society.

7. Any member of a registered society may, if he is not indebted to that society on his own account or is not a surety for any unpaid debt to that society, withdraw from that society by giving one month's notice in writing to the secretary.

8. Any member of a registered society may be expelled from that society for such cause and in such manner, as may be prescribed by the by-laws of that society.

9. Any member of a registered society who loses any of the qualifications for membership prescribed by the by-laws of that society shall cease to be a member of that society and the committee of that society shall cause his name to be struck off the register of members.

10. (i) In the case of a registered society with unlimited liability a member who withdraws or is expelled from that society shall be entitled to repayment without interest of any money paid by him or his predecessor in interest towards the purchase of shares after the period prescribed in the by-laws ;

(ii) In the case of a registered society with limited liability a member who withdraws or is expelled from that society shall not be entitled to the re-payment of any money paid by him towards the purchase of shares except in accordance with the conditions, if any, prescribed by the by-laws of that society.

Number of Members

11. In the case of any primary society, no limit shall be fixed to the number of its members provided that with the approval of the Registrar any producer, industrial or labour co-operative society may, having regard to the nature of its activities and its assets and liabilities fix a limit to its number of members in order to ensure the economic viability of such society.

Register of Members

12. Every registered society shall maintain a register showing :-

- (i) the name, address and occupation of each member and a statement of the shares held by him ;
- (ii) the age of any member ;
- (iii) the date on which each member's name was entered in the register ;
- (iv) the date on which any member ceased to be a member ;
- (v) the nominee, if any, appointed by each member ;
- (vi) the signature or thumb impression of each member.

Nominees

13. (i) Every appointment of a nominee by any member of a registered society for the purpose of Section 27 of the Co-operative Societies Law shall be in writing and shall be signed by that member in the presence of two attesting witnesses ;

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

(iii) Where more than one nominee is appointed by any member of a registered society, the number of shares to be transferred or the exact proportion of the available number of shares that is to be transferred and the manner in which any other interest of the member in the society is to be apportioned to each of these nominees shall be specified at the time of the appointment of such nominees ;

(iv) Every appointment of a nominee shall be recorded in the register of members ;

(v) The value of a share or other interest held by any member of a registered society shall, for the purpose of a transfer of interest on the death of a member be, unless the by-laws of the society otherwise provide, the amount actually paid for such share or other interest by that member ;

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

14. No member (other than a registered society) of a registered society whether its liability is limited or unlimited, shall hold more than one-fifth of the total share capital of the society. Maximum holding

15. (i) In the case of a registered society with no share capital, no part of the funds of the society shall be divided amongst its members as dividend or otherwise. Division of profits

Provided however, that this paragraph shall not apply to a thrift society.

(ii) The funds or any part thereof of a registered society shall not be divided as dividend, rebate or bonus amongst its members or officers unless :-

(a) The entire expenditure incurred by the society during the year has been debited to the profit and loss account before the calculation of the net profit ; *and*

(b) the Registrar's prior approval has been obtained.

(iii) No dividend or rebate shall be paid by any registered society the society to a depositor or lender remains unsatisfied.

(iv) No registered society shall pay a dividend exceeding ten per centum on share capital actually paid up.

(v) The Registrar may by general or special order direct that any registered society shall so long as it receive loans, deposits or their credit facilities from any non-member other than a Bank.

(a) not pay any dividend ; *or*

(b) pay dividends at such reduced rates as the Registrar may determine.

16. (i) Every registered society shall from time to time fix at a general meeting of the society the maximum amount it may receive as loans, deposits or otherwise from persons who are not members. Maximum Liability

(ii) Where the Registrar is of opinion that the fixing of a maximum amount as provided by paragraph (i) of this rule shall create hardship to any particular registered society, the Registrar may fix such maximum amount for such society for such time as he may consider necessary.

General Meetings

17. (i) Every registered society shall from time to time hold general meetings as provided in its by-laws for the disposal of the necessary business including :-

- (a) the fixing of the maximum amount of credit which the society may receive as loans, deposits or otherwise from non-members ;
- (b) where the society provides credit facilities to-members, the fixing of the maximum credit which may be allowed to each member ;
- (c) the election of members of the committee ;
- (d) the consideration of the reports of the Registrar if any, and the audited statement of accounts and the report of the auditor appointed by the Registrar.

(ii) Questions before a general meeting of any registered society shall be decided, unless otherwise specifically provided in its by-laws, by a majority of those present and voting.

A member of a society registered under section 3(1)(a) of the Co-operative Societies Law present at a general meeting of such society shall have one vote and no more.

Delegates present at a general meeting of any other registered society shall exercise the vote in accordance with the by-laws of such registered society.

In the case of an equality of votes, the chairman shall have a casting vote.

(iii) A registered society which is a member of any other registered society shall not appoint any person from among its members to represent it at any general meeting of such other society if such person :-

- (a) is, in respect of any loan or loans taken by him, in default to that society or to any other registered society, or to the liquidator of any society the registration of which has been cancelled, for such period as is prescribed by the by-laws of each such society or where no period is prescribed, for any period exceeding three months ; or
- (b) is in default in any other respect to that society or to any other society or to any liquidator.

Power of Registrar to summon general meetings or Committee meetings and to attend meetings

18. (i) The Registrar, or any person authorised in that behalf by general or special order of the Registrar, may at any time summon a special general meeting of any registered society in such manner and at such time and place as the Registrar or such person may direct. The number of members present in person shall form the quorum (unless such number is less than three) and such meeting shall have all the powers, including the power to amend the by-laws, of a duly convened meeting of the society.

(ii) The Registrar or any person authorised by him in writing in that behalf may at any time summon a meeting of the committee of any registered society in such manner and at such time and place as the Registrar or such person may direct. The number of persons present at such meeting shall form a quorum (unless such number is less than three) and such meeting shall have all the powers of a committee meeting duly convened in accordance with the by-laws of the society.

(iii) Where a special general meeting under Rule 18(i) or a committee meeting under Rule 18(ii) is summoned by the Registrar or a person authorised by the Registrar, the Registrar or such authorised person shall have the power to order the production of such books and documents of the society as he may consider necessary. It shall be the duty of the secretary of the society to comply with every such order.

The Registrar or any person authorised by him, may preside at any meeting summoned under Rule 18(i) or 18(ii) but shall have no vote ; in the event of an equality of votes the chairman shall have a casting vote.

(iv) The Registrar or any person authorised by him, in writing by general or special order, shall be entitled to be present and to speak at any general meeting or committee meeting of any registered society.

Provided, however, that the Registrar or any person so authorised by him shall not have the right to vote at any such meeting.

19. Every registered society shall have a committee of management. The members of the committee of management of a registered society may be elected, suspended or removed in accordance with the by-laws of the society. Where the by-laws of the registered society provide for a regional or a branch committee, a member of such regional or branch committee may be elected, suspended or removed in the manner prescribed in the by-laws.

Committee

Notwithstanding the above, when a new co-operative society is registered, the Registrar shall have the power to nominate persons to a provisional board of directors of such society and to remove such persons from such provisional board. A provisional board of directors nominated by the registrar shall have all the powers of a general meeting and of a committee of management. However, a board so nominated by the Registrar shall not function for a period exceeding 12 months.

20. Notwithstanding anything to the contrary in the by-laws of a registered society, the Registrar shall have the power to nominate one or more persons to its committee of management and to nominate the president or vice-president or both from among them. Where the Registrar so nominates a president or a vice-president, the elected president or vice-president as the case may be shall *ipso facto* cease to hold office as such.

21. (i) A member of a registered society shall be disqualified from being elected as a member of the committee of management or of a regional or a branch committee -

Disqualifications
for committee
membership

- (a) If subject to the provisions of paragraph (iii) he is under 21 years of age ;
- (b) If he has filed a declaration of insolvency or is adjudicated an insolvent ;
- (c) if he is of unsound mind ;
- (d) if within the three years immediately preceding he has either been convicted of any offence involving moral turpitude or has been sentenced to a term of imprisonment of three months or more ;
- (e) if he is, in respect of any loan received by him, in default to the society or to any other registered society or to a liquidator, for a period exceeding three months or is default in any other respect to that society or to any other society or to any liquidator ;
- (f) if he is interested directly or indirectly, save in his capacity as a member or employee as such, in any contract made with the society or in any sale or purchase made by that society, or in any contract or transaction of that society, which concerns the finances of the society and which is subsisting or is in the course of negotiation ;
- (g) if he has been continuously elected to serve on the committee of management for the last three consecutive years ;
- (h) if he is directly or indirectly engaged in any trade or other activity which in the opinion of the general meeting of that society conflicts with the interests of that society.

(ii) An elected member of the committee of management or of a regional or branch Committee shall *ipso facto* cease to hold office as such -

- (a) if he ceases to be a member of the society ;
- (b) if he has filed a declaration of insolvency or is adjudicated an insolvent ;
- (c) if he becomes of unsound mind ;
- (d) if he is convicted of any offence involving moral turpitude or if he is sentenced to a term of imprisonment of three months or more ;
- (e) if he commences or acquires any interest in any trade or other activity which in the opinion of the general meeting of that society conflicts with the interests of that society ;
- (f) If he becomes otherwise disqualified to continue to be a member of the committee of management or of a regional or branch committee of that society in terms of the by-laws of that society.

(iii) In the case of any registered society the members of which are persons engaged in weaving or are school children, a member of that society shall be eligible for election as a member of the committee of that society even if he is under twenty-one years of age.

(iv) A person who has been elected to a committee of management or to a regional or branch committee of a registered society shall forth with make a declaration to such society in the manner specified in the by-laws of such society, to the effect that he is not disqualified to be so elected.

(v) Where a person elected to a committee of management or to a regional or branch committee makes a declaration in accordance with Rule 21(iv) and such declaration is found to be false, such person shall be disqualified from holding any office in any co-operative society for a period of two years from the date of discovery of such false declaration.

22. (i) A member of the committee of a registered society may receive pay, honorarium or other remuneration only with the approval of the general body of the society previously obtained and in accordance with such rates of pay, honorarium or other remuneration as may be approved by the Registrar.

(ii) Any member of the committee of any registered society or other officer who receives any payment which he is not entitled to receive in the course of his duties may be called upon by the Registrar to repay all such money to the society.

23. The committee of management of a registered society shall, subject to any regulations or restrictions duly laid down by the society at any general meeting or in its by-laws, exercise all the powers of that society except such powers as are reserved for the general meeting of that society.

24. The duties of the committee of management of a registered society shall *inter alia* include the following :-

- (a) to comply with the Co-operative Societies Law, these Rules, the by-laws and the working rules of the society and any general direction issued by the Registrar pertaining to the affairs of a society ;
- (b) to maintain true and accurate accounts ;
- (c) to keep a true accounts of the assets and liabilities ;
- (d) to arrange for the custody of the assets of the society ;

- (e) to keep a correct register of members ;
- (f) to present to a general meeting of the society and audited profit and loss account and balance sheet and the auditors' report within two months of the receipt of such report from the Registrar.
- (g) to assist the inspection of books by any person authorised to see them ;
- (h) where the society gives loans to members, to see that the loans are applied for the purposes for which the loans were granted ;
- (i) to take necessary steps to remedy the defects communicated by the Registrar in accordance with Section 45 of the Co-operative Societies Law.

25. Where a registered society performs services as an agent of the government or a state corporation it shall be the duty of the committee of management and of every officer and employee of the society to perform such services in accordance with such instructions as may be issued by such authority.

26. The committee of management of any registered society shall perform their functions and discharge their duties dilligently and shall simply with the law, these rules, the by-laws and the working rules of the society and any general direction issued by the Registrar pertaining to the affairs of the society and every member of such committee shall be jointly and severally liale for any loss sustained or any penalty incurred by that society in consequence of their failure to exercise due diligence or to observe the law, these rules, the by-laws, the working rules of the society and any general directions of the Registrar.

27. In the case of any registered society which is a credit society the debts of the members of the committee of management of the society shall not in the aggregate exceed twenty-five percentum of the working capital of that society ;

Provided however, that this rule shall not apply to any society which in the opinion of the Registrar has sufficient funds to meet all the credit needs of its members.

28. A registered society shall not appoint any persons as an employee of that society except in accordance with the provisions of the Co-operative Employees Commission Act, No. 12 of 1972.

Officers and Servants.

29. A registered society shall make by-laws in respect of the following matters :-

Compulsory By-Laws.

- (i) name of society ;
- (ii) registered address of the society ;
- (iii) objects for which the society was established ;
- (iv) purposes to which the funds of the society may be applied ;
- (v) qualifications for membership in the society, the conditions of admission of members and the mode of their admission ;
- (vi) the nature and the extent of the liability of the members of the society ;
- (vii) the withdrawal and expulsion of the members of the society and the payments' if any, to be made to them.
- (viii) the transfer of the share or their interests of the members of the society ;
- (ix) the manner of raising funds, including the maximum rate of interest on deposits ;

38. Every registered society shall permit any person interested in its funds as member depositor or creditor to inspect its annual balance sheet.

39. The committee of management of every registered society or an officer of the society appointed for the purpose by the committee shall prepare yearly in such form as may be prescribed for the purpose by the Registrar and forward to the Registrar within such time as he may direct :-

- (i) a trial balance and such trading or other accounts pertaining to the operations of the society.
- (ii) a profit and loss account, and
- (iii) a balance sheet.

40. (i) The Registrar may by order in writing direct any registered society :-

- (a) to cause such accounts and books of the society as may be specified in the order to be written up to such date as the Registrar may determine ; and
- (b) to send any return which he may require in such form and within such time as may be specified in the order.

(ii) If any registered society fails to comply with an order under paragraph (i), the registrar may get the accounts and books written and the returns prepared by any person authorised by him.

Where the accounts and books of any society have been written up and the returns have been prepared by any person authorised by the Registrar the Registrar shall determine the amount payable for such work and call upon the society to pay such amount ; and if that society fails to do so, such amount shall be recoverable by the Registrar upon application to a Magistrate having jurisdiction in the area and such Magistrate shall proceed to recover such amount as if it were a fine imposed by him.

Where the person authorised by the Registrar to write up the books of a registered a society is a state office the amount paid or recovered shall be credited to the Consolidated Fund.

Audit.

41. (i) The audit of the accounts of a registered society shall be done by any officer of the department of Co-operative Development authorised by the Registrar or by any certified auditor appointed by the Registrar. A certified auditor for the purpose of these rules shall be :-

- (a) A Chartered Accountant or a firm of Chartered Accountants ; or
- (b) a person or a body of persons whose name has been included in the panel of auditors maintained by the Registrar.

(ii) The audit under Section 44(2) of the Co-operative Societies Law shall in all cases extend back to the last date of the previous audit and shall be carried out up to the last date of the financial year immediately preceding the audit or where the Registrar so directs to such other date as may be specified by the Registrar.

(iii) The Registrar may require an auditor to prepare a special audit covering a period not exceeding 12 months where such an audit is required for the purposes of criminal proceedings.

(iv) an auditor shall submit to the Registrar in duplicate an audit report in the manner specified by the Registrar. Such report shall among other things contain a statement as to -

- (a) Whether he had obtained all the information and explanations required by him ;
- (b) Whether the books of accounts have been kept up to date by the society ;
- (c) Whether the balance sheet and profit and loss account are in agreement with the books of the society.

(v) The auditor shall annex to his audit report all such schedules and certificates as are prescribed by the Registrar.

(vi) The auditor shall along with the audited balance sheet of the society furnish an audit certificate substantially in the form given below :-

I/We have examined the accounts of the Co-operative Society union limited/unlimited and audited the balance sheet copied above. I/We have obtained from the officers of the society union all the information and explanations required by me/us (except for those referred to at page of this report). I/We have verified all the assets and liabilities stated in the balance sheet and am/are satisfied that these assets/liabilities exist and have not been over valued. In my/our opinion, the balance sheet is properly drawn up so as to exhibit a true and a fair view of the state of affairs of the society/union according to the best of my/our opinion and on the information and explanations given to me/us and as shown by the books of the society/union.

Auditor.

Date : _____.

42. The Registrar or any person authorised by the Registrar to conduct an audit, inquiry inspection or investigation under Section 44, 46 and 47 respectively of the Co-operative Societies Law shall have the power to summon all such persons as he may consider necessary for such, audit, inquiry, inspection or investigation as the case may be. Summons may be delivered by hand or sent by registered post provided that any person so summoned shall have at least 7 clear days notice.

Power to summon.

43. (i) The Co-operative Fund established under the rules made by the Minister of Food and Co-operative Undertakings under Section 46 of the Co-operative Societies Ordinance (Cap. 107) and published in *Ceylon Government Gazette* No. 10,086 of 24.03.1950 shall notwithstanding the rescission of the above rules by rule 55 of these rules be deemed to construe and shall be administered subject to any general or specific directions of the Minister, by the Registrar who may utilize the monies lying to the credit of that fund for the purpose of -

Co-operative Fund.

- (a) co-operative education, extension and publicity ;
- (b) improving the management efficiencies of Co-operative Societies ;
- (c) rendering assistance to existing Co-operative Societies.

(ii) Every registered society shall when called upon to do so by the Registrar make annually a contribution to the Co-operative Fund of such amount not exceeding ten per centum of the net annual profits of the society and not less than Rs. 5 as the Registrar may determine.

Surplus Fund.

44. (i) A fund hereinafter referred to as the Surplus Fund shall be maintained by the Registrar for the purposes of Section 57(3) of the Co-operative Societies Law.

(ii) The balance lying to the credit of the Registrar in the Trust Fund on the date immediately preceding the date of publication of these rules in the *Gazette* shall be transferred to the Surplus Fund.

(iii) Monies lying to the credit of the Surplus Fund may be used by the Registrar -

- (a) to assist any registered primary society by either purchasing shares in such society or in such other manner as the Registrar may determine ;
- (b) assist any registered society in the district from which a surplus has accrued to purchase any fixed assets ;
- (c) to assist any liquidator to defend himself in any civil proceedings against him ;
- (d) to assist any registered society formed in terms of section 3(1)(c) and (d) of the Co-operative Societies Law or any other institution established for the purpose of rendering assistance to registered societies.

Copies of entries.

45. For the purpose of section 31(1) of the Co-operative Societies Law a copy of any entry in the books of a registered society may be certified by a declaration in writing at the foot of such copy that it is a true copy of such entry and that the book containing the entry is still in the custody of the society, such declaration being dated and signed by the president of the society and one member of the committee of management.

Reserve Fund.

46. The Reserve Fund of a registered society may be used in the business of such society unless the registrar by special order directs it to be invested in accordance with section 42 of the Co-operative Societies Law.

47. The Reserve Fund shall be indivisible and no member shall be entitled to claim any these in it.

Acquisition of land etc. with funds society.

48. (i) A registered society shall not acquire or sell any movable property other than stock intrade which is of the value of Rs. 5,000 or more without the approval of the general meeting and without the writer prior approval of the Registrar.

(ii) A registered society may with the approval of the general meeting and with the prior approval in writing of the Registrar acquire by purchase gift or otherwise and take on lease lands, buildings or other immovable property or sell mortgage lease exchange or otherwise dispose of and buildings or other immovable property for any purpose connected with its objects.

Disputes.

49. (i) Where a dispute has to be referred to the Registrar for decision under Section 58 of the Co-operative Societies Law such references may be made by -

- (a) the committee of management of the registered society ; or
- (b) the registered society by a resolution passed at a general meeting of that society ; or
- (c) any party to the dispute ; or
- (d) any member of the registered society if the disputes concerns a sum due from a member of the committee of management or other officer of the registered society.

(ii) Where a claim of any registered society referreable to the Registrar under section 58(1) of the Co-operative Societies Law is not referred to the Registrar by any person competent to do so under Rule 49(i) any dispute arising out of any such claim may be referred to the Registrar on behalf of such society by any person who in respect of that society has done and audit under section 44 or hold any inquiry under section 46 or done an inspection or investigation under section 47 of the Co-operative Societies Law.

(iii) The Registrar may direct the whole or any portion of the expenses which are likely to be incurred in determining the dispute to be paid in advance by the party in the position of the plaintiff.

(iv) Where a dispute concerning a sum of money payable by a member of the committee of management or other officer is referred for decision to the Registrar by any member of the registered society or where a dispute is referred to the Registrar by any person under Rule 49(ii) such member or such person shall have the power to act on behalf of the society in all proceedings connected with that disputes and shall be entitled to have access to all books and documents of the society as are pertaining to the dispute and shall be entitled to payment by the society of any reasonable expenses incurred by him in that regard.

Whoever obstructs any party to a dispute or any person acting on behalf of any party to a dispute in any manner whatsoever shall be guilty of an offence.

(v) (a) Where the Registrar decides to refer any dispute to an arbitrator such arbitrator shall be appointed by the Registrar.

(b) Where any person appointed as an arbitrator under Rule 49(v) (a) dies or refuses or neglects or is found by the Registrar to be unfit to act as an arbitrator to becomes incapable of acting as such by reason of absence, illness or otherwise the Registrar shall appoint another person as arbitrator in place of the person who died or refused or neglected or was found to be unfit to act or became incapable by reason of absence, illness or otherwise of acting as arbitrator.

(c) An arbitrator appointed by the Registrar under Rule 49(v) (a) shall forthwith attend to the arbitration and complete the hearing and grant an award within 3 months of such appointment. Where however an arbitrator so appointed is unable to complete the hearing and to grant and award within such time he shall forthwith communicate with the Registrar stating the reasons for his inability to grant an award within the specified 3 months and shall state the further time which he considers necessary to complete the hearing and grant an award. The Registrar may grant such extension of time as he may consider necessary.

(d) Where an arbitrator is unable to attend to the arbitration for any of the reasons specified above he shall forthwith return to the Registrar all such papers and documents as may have been referred to him.

(e) No arbitrator shall dismiss a claim merely because a party to the dispute is absent. Where a defendant to a dispute is absent though duly summoned, the arbitrator shall proceed to decide the dispute *ex parte* and grant an award provided that a dispute shall not be decided *ex parte* on the first date.

(vi) Where the Registrar decides to refer any dispute to more than one arbitrator he shall appoint a board of three arbitrators, of whom one shall be nominated by each of the parties and the third shall be nominated by the Registrar and shall act as the chairman of the board.

(vii) (a) Where any party to a dispute who is required to nominate an arbitrator under Rule 49(vi) fails to do so within fifteen days of being called upon to do so by the Registrar, the Registrar may make the nomination instead.

(b) Where any person nominated by any one of the parties to a dispute dies, or refuses or neglects or is found by the Registrar to be unfit to act as an arbitrator or becomes incapable of acting as such by reason of absence, illness or otherwise, the Registrar shall call upon that party to nominate another person as arbitrator in place of the person who has died or refused or neglected or was found to be unfit to act, or who became incapable by reason of absence, illness or otherwise, of acting as an arbitrator and if that party fails to do so within fifteen days, the Registrar may nominate an arbitrator.

(c) Where the person nominated as arbitrator by the Registrar dies, or refuses or neglects or is found by the Registrar to be unfit to act as an arbitrator or becomes incapable of acting as such by reason of absence, illness or otherwise the Registrar shall nominate another person as arbitrator in place of the person who died or refused or neglected or was found to be unfit to act, or who became incapable by reason of absence, illness or otherwise of acting as arbitrator.

(viii) No legal practitioner may be nominated as an arbitrator by any party to a dispute.

(ix) In all proceedings under this rule the Registrar or arbitrator or arbitrators shall have the power -

(a) to administer oaths,

(b) to require the attendance of the parties and witnesses and to require the production of all necessary books and documents by a summons delivered orally or sent by hand or through the post under registered cover or through the nearest Civil Court having jurisdiction in the area in which the society carries on business ; and

(c) to order the expenses incurred in determining the dispute including the costs of the parties or of the persons who refer a dispute for decision under Rule 49(1) (d) or 49(ii), to be paid out of the funds of the society or by such party or parties to the dispute as he or they may think fit.

(x) The Registrar or the arbitrator or arbitrators shall bear the evidence of the parties to the dispute and their witnesses who attend and upon that evidence and after consideration of any documentary evidence produced by either party shall give such decision or Award, as the case may be, in accordance with justice, equity and good conscience.

The award of the arbitrator or arbitrators shall be reduced to writing, announced to the parties present and forwarded to the office of the Registrar or to such subordinate officer as the Registrar may direct along with the record of the proceedings.

(xi) The determination of any question before a board of three arbitrators shall be according to the opinion of the majority, or where each of the three arbitrators is of a different opinion, according to the opinion of the chairman of the board.

(xii) (a) Every appeal to the Registrar from an award of an arbitrator or a panel of arbitrators shall be made within 30 days from the date of the award by a written statement setting out the grounds of appeal. Every such appeal shall be forwarded to the Registrar with an appeal deposit of Rs. 50 or 10% of the sum awarded where the appeal is made by the party against whom the award has been made and by Rs.

50 or 10% of the sum claimed in the dispute where the appeal is made by the party claiming any sum of money, whichever sum is the higher sum in either case.

(b) An appeal not made in conformity with the above shall be rejected by the Registrar.

(c) The Registrar may make a decision on the appeal without hearing any of the parties to the dispute.

(d) Where the Registrar is satisfied that the appellant had reasonable grounds to appeal, the sum deposited by him shall be returned to the appellant.

(e) Where the Registrar is satisfied that the appellant had no reasonable grounds to appeal the appeal deposit shall be forfeited and credited to the Consolidated Fund.

(xiii) In proceedings before the Registrar or an arbitrator or arbitrators, no party shall be represented by a legal practitioner.

50. The order of the Minister on any appeal under Section 44 or 49 of the Co-operative Societies Laws shall be final.

Appeals to the Minister.

51. (i) Where the Registrar finds after such inquiry as he may consider necessary that any member of the committee of management of any registered society or other officer or employee of such society is unfit or is otherwise unable to discharge his duties efficiently, the Registrar may, by order in writing, require the society to dismiss such member of the committee of management officer or employee before an appointed date and the society shall comply with the direction of the Registrar.

Unfit officers or Committees.

(ii) If a registered society fails to comply with an order under Rule 51(i), the Registrar may by order in writing require the member of the committee of management or other officer or employee as the case may be, to resign his office by an appointed date and on such appointed date such member of the committee of management or other officer or employee shall cease to hold office and to exercise and perform any of the powers or duties conferred or imposed upon him by the society.

Where a member of the committee of management or other officer or an employee of the society ceases to hold office under this rule, he shall hand over before such appointed date all such books, documents and other assets of the society as are in his custody to a responsible officer of the society and take acknowledgement thereof. Non compliance with the above shall constitute an offence.

52. Upon the appointment of any person or persons under section 48 of the Co-operative societies Law to manage the affairs of any registered society, the members of the committee of management which has been dissolved shall hand over to such person or persons the entire business of the society and all other property including the books and documents of the society within such time as the Registrar may appoint.

Where such committee fails to hand over the entire business of the society and all other property including the books and documents of the society to the person or persons so appointed by the Registrar each member of such committee shall be deemed to be guilty of an offence.

53. The Registrar shall have power to prohibit or restrict transactions of any registered society with any persons who are not members of the society if the Registrar is of the opinion that such transactions are opposed to co-operative principles or involve an abuse of any of the privileges accorded to registered societies or involve an evasion of income tax or a breach of any rules or orders of Government.

Transactions.

Offences. 54. Offences under these Rules shall be dealt with in the same manner as offences under Offences :
Section 72 of the Co-operative Societies Law.

Rescission. 55. The Rules published in *Gazette* No. 10,086 of 24th March, 1950 and *Gazette* No. 11,423 of
Rescission. 11th July, 1958 are hereby rescinded.

SCHEDULE

FORM OF CERTIFICATE OF REGISTRATION

(RULE 4)

I hereby certify that I have this day registered as a
Co-operative Society with Liability under
the above names and with its address at in accordance with Section 06 of the
Co-operative Societies Law No. 05 of 1972.

Registrar/Assistant Registrar
of Co-operative Societies.

Date : _____.

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