

The Multi-State Cooperative Societies Act, 2002

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Form - I Application for registration of a multi-state cooperative society under the Multi-State Cooperative Societies Act, 2002

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The Multi-State Cooperative Societies Act, 2002

[Act No of 39 of 2002]

[3rd July 2002]

An Act to consolidate and amend the law relating to cooperative societies, with objects not confined to one State and serving the interests of members in more than one State, to facilitate the voluntary formation and democratic functioning of cooperatives as people's institutions based on self-help and mutual aid and to enable them to promote their economic and social betterment and to provide functional autonomy and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Fifty-third Year of the Republic of India as follows:-

Chapter I

Preliminary

1. Short title, extent and commencement

- (1) This Act may be called the Multi-State Cooperative Societies Act, 2002.
- (2) It extends to the whole of India.
- (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. Application

This Act shall apply to -

- (a) all cooperative societies, with objects not confined to one State which were incorporated before the commencement of this Act
 - (i) under the Cooperative Societies Act, 1912 (2 of 1912), or
 - (ii) under any other law relating to cooperative societies in force in any State or in pursuance of the Multi-unit Cooperative Societies Act, 1942 or the Multi-State Cooperative Societies Act, 1984.

and the registration of which has not been cancelled before such commencement; and

- (b) all multi-State cooperative societies.

3. Definitions

In this Act, unless the context otherwise requires, -

- (a) “**area of operation**” means the area from which the persons are admitted as members;
- (b) “**board**” means the board of directors or the governing body of a multi-state cooperative society, by whatever name called, to which the direction and control of the management of the affairs of the society is entrusted;
- (c) “**bye-laws**” means the bye-laws for the time being in force which have been duly registered or deemed to have been registered under this Act and includes amendments thereto which have been duly registered or deemed to have been registered under this Act;
- (d) “**Central Registrar**” means the Central Registrar of Cooperative Societies appointed under sub-section (1) of section 4 and includes any officer empowered to exercise the powers of the Central Registrar under sub-section (2) of that section;
- (e) “**Chief Executive**” means a Chief Executive of a multi-state cooperative society appointed under section 51;
- (f) “**cooperative bank**” means a multi-state cooperative society which undertakes banking business;
- (g) “**cooperative principles**” means the cooperative principles specified in the First Schedule;
- (h) “**cooperative society**” means a society registered or deemed to be registered under any law relating to cooperative societies for the time being in force in any State;
- (i) “**cooperative year**”, in relation to any multi-state cooperative society or class of such societies, means the year ending on the 31st day of March of the year and where the accounts of such society or class of such societies are, with the previous sanction of the Central Registrar, balanced on any other day, the year ending on such day;
- (j) “**Deposit Insurance Corporation**” means the Deposit Insurance and Credit Guarantee Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961 (47 of 1961);
- (k) “**federal cooperative**” means a federation of cooperative societies registered under this Act and whose membership is available only to a cooperative society or a multi-state cooperative society;
- (l) “**general body**”, in relation to a multi-state cooperative society, means all the members of that society and in relation to a national cooperative society or a federal cooperative means all the delegates of member of cooperative societies of delegates of multi-state cooperative societies and includes a body constituted under the first proviso to sub-section (1) of section 38;
- (m) “**general meeting**” means a meeting of the general body of a multi-state cooperative societies and includes special general meeting;
- (n) “**member**” means a person joining in the application for the

registration of a multi-state cooperative society and includes a person admitted to membership after such registration in accordance with the provisions of this Act, the rules and the bye-laws;

- (o) “**member cooperative**” means a cooperative society or a multi-state cooperative society which is member of a federal cooperative;
- (p) “**multi-state cooperative society**” means a society registered or deemed to be registered under this Act and includes a national cooperative society and a Federal cooperative;
- (q) “**multi-state cooperative society with limited liability**” means a society having the liability of its members limited by its bye-laws to the amount, if any, unpaid on the shares, respectively, held by them or to such amount as they may, respectively, thereby undertake to contribute to the assets of the society, in the event of its being wound up;
- (r) “**national cooperative society**” means a multi-state cooperative society specified in the Second Schedule;
- (s) “**notification**” means a notification published in the Official Gazette;
- (t) “**officer**” means a president, vice-president, chairperson, vice-chairperson, managing director, secretary, manager, member of a board, treasurer, liquidator, an administrator appointed under section 123 and includes any other person empowered under this Act or the rules or the bye-laws to give directions in regard to the business of a multi-state cooperative society;
- (u) “**prescribed**” means prescribed by rules;
- (v) “**Reserve Bank**” means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);
- (w) “**rules**” means the rules made under this Act.

Chapter II

Central Registrar and Registration of Multi-State Cooperative Societies

4. Central Registrar

- (1) The Central Government may appoint a person to be the Central Registrar of Cooperative Societies and may appoint such other persons as it may think fit to assist the Central Registrar.
- (2) The Central Government may, by notification, direct that any power exercisable by the Central Registrar under this Act (other than the power of registration of a multi state cooperative society) shall, in relation to such society, and such matters as may be specified in the notification, be exercisable also by any other officer of the Central Government or of a State Government as may be authorised by the Central Government subject to such conditions as may be specified therein:

Provided that no officer of a state government shall be empowered

to exercise such power in relation to a national cooperative society.

5. Multi-state cooperative societies which may be registered

- (1) No multi-state cooperative society shall be registered under this Act, unless,
 - (a) its main objects are to serve the interests of members in more than one state; and
 - (b) its bye-laws provide for social and economic betterment of its members through self-help and mutual aid in accordance with the cooperative principles.
- (2) The word "limited" or its equivalent in any Indian language shall be suffixed to the name of every multi-state cooperative society registered under this Act with limited liability.

6. Application for registration

- (1) For the purposes of registration of a multi-state cooperative society under this Act, an application shall be made to the Central Registrar in such form and with such particulars as may be prescribed.
- (2) The application shall be signed
 - (a) in the case of a multi-state cooperative society of which all the members are individuals, by at least fifty persons from each of the state concerned;
 - (b) in the case of a multi-state cooperative society of which the members are cooperative societies, by duly authorised representatives on behalf of at least five such societies as are not registered in the same state; and
 - (c) in the case of a multi-state cooperative society of which another multi-state cooperative society and other cooperative societies are members, by duly authorised representatives of each of such societies:

Provided that not less than two of the cooperative societies referred to in this clause, shall be such as are not registered in the same state;
 - (d) in the case of a multi-state cooperative society of which the members are cooperative societies or multi-state cooperative societies and individuals, by at least
 - (i) fifty persons, being individuals, from each of the two states or more; and
 - (ii) one cooperative society each from two states or more or one multi-state cooperative society.
- (3) The application shall be accompanied by four copies of the

proposed bye-laws of the multi-state cooperative society and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Central Registrar may require.

7. Registration

- (1) If the Central Registrar is satisfied
 - (a) that the application complies with the provisions of this Act and the rules;
 - (b) that the proposed multi-state cooperative society satisfies the basic criterion that its objects are to serve the interests of members in more than one state;
 - (c) that its bye-laws provide for social and economic betterment of its members through self-help and mutual aid in accordance with the cooperative principles;
 - (d) that the proposed bye-laws are not contrary to the provision of this Act and the rules,

he may register the multi-state cooperative society and its bye-laws.

- (2) The application for registration shall be disposed of by the Central Registrar within a period of four months from the date of receipt thereof by him.
- (3) Where the Central Registrar refuses to register a multi-state cooperative society, he shall communicate, within a period of four month from the date of receipt of the application for registration, the order of refusal together with the reasons thereof to the applicant or applicants, as the case may be:

Provided that no order or refusal shall be made unless the applicants have been given a reasonable opportunity of being heard;

Provided further that if the application for registration is not disposed of within a period of four months specified in sub-section (2) or the Central Registrar fails to communicate the order of refusal within that period, the application shall be deemed to have been accepted for registration and the Central Registrar shall issue the registration certificate in accordance with the provisions of this Act and the rules made thereunder.

8. Registration certificate

Where a multi-state cooperative society is registered under this Act, the Central Registrar shall issue a certificate of registration signed by him, which shall be conclusive evidence that the society therein mentioned is duly registered under this Act, unless it is proved that the registration of the society has been cancelled.

9. Multi-state cooperative society to be body corporate

- (1) The registration of a multi-state cooperative society shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal, and with power to acquire, hold and dispose of property, both movable and immovable, enter into contract, institute and defend suits and other legal proceedings and to do all things necessary for the purpose for which it is constituted, and shall, by the said name, sue or be sued.
- (2) All transactions entered into in good faith prior to the registration of a multi-state cooperative society shall be deemed to be its transactions after registration for furtherance of the objects of its registration.

10. Bye-laws of multi-state cooperative societies

- (1) Every multi-state cooperative society may make its bye-laws consistent with the provisions of this act and the rules made thereunder.
- (2) In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for all or any of the following matters, namely:
 - (a) the name, address and area of operation of the society;
 - (b) the objects of the society;
 - (c) the services to be provided to its members;
 - (d) the eligibility for obtaining membership;
 - (e) the procedure for obtaining membership;
 - (f) the conditions for continuing as member;
 - (g) the procedure for withdrawal of membership;
 - (h) the transfer of membership;
 - (i) the procedure for expulsion from membership;
 - (j) the rights and duties of the members;
 - (k) the nature and amount of capital of the society;
 - (l) the manner in which the maximum capital to which a single member can subscribe;
 - (m) the sources from which the funds may be raised by the multi-state cooperative society;
 - (n) the purpose for which the funds may be applied;
 - (o) the manner of allocation or disbursement of net profits of the multi-state cooperative society;
 - (p) the constitution of various reserves;
 - (q) the manner of convening general meetings and quorum thereof other than those provided under this Act;
 - (r) the procedure for notice and manner of voting, in general and other meetings;
 - (s) the procedure for amending the bye-laws;

- (t) the number of members of the board not exceeding twenty-one;
- (u) the tenure of, directors, chairperson and other office bearers of the society, not exceeding five years;
- (v) the procedure for removal of members of the board and for filling up of vacancies;
- (w) the manner of convening board meetings, its quorum, number of meetings in a year and venue of such meetings;
- (x) the frequency of board meetings;
- (y) the powers and functions of the Chief Executive in addition to those provided under section 52;
- (z) the manner of imposing the penalty;
- (za) the appointment, rights and duties of auditors and procedure for conduct of audit;
- (zb) the authorisation of officers to sign documents and to institute and defend suits and other legal proceedings on behalf of the society;
- (zc) the terms on which a multi-state cooperative society may deal with persons other than members;
- (zd) the terms on which a multi-state cooperative society may associate with other cooperative societies;
- (ze) the terms on which a multi-state cooperative society may deal with organisation other than cooperative societies;
- (zf) the rights, if any, which the multi-state cooperative society may confer on any other multi-state cooperative society or federal cooperative and the circumstances under which such rights may be exercised by the federal cooperative;
- (zg) the procedure and manner for transfer of shares and interest in the name of a nominee in case of death of a member;
- (zh) the educational and training programmes to be conducted by the multi-state cooperative society;
- (zi) the principal place and other places of business of multi-state cooperative society;
- (zj) the minimum level of services, to be used by its members;
- (zk) any other matter which may be prescribed.

11. Amendment of bye-laws of a multi-state cooperative society

- (1) No amendment of any bye-law of a multi-state cooperative society shall be valid, unless such amendment has been registered under this Act.
- (2) The amendment to the bye-laws of a multi-state cooperative society shall be made by a resolution passed by a two-third majority of the members present and voting at general meeting of the society.
- (3) No such resolution shall be valid unless fifteen clear days' notice of the proposed amendment has been given to the members.

- (4) In every case in which a multi-state cooperative society proposes to amend its bye-laws, an application to register such amendments shall be made to the Central Registrar together with-
- (a) a copy of the resolution referred to in sub-section (2);
 - (b) a statement containing the particulars indicating-
 - (i) the date of the general meeting at which the amendments to the bye-laws were made;
 - (ii) the number of days' notice given to convene the general meeting;
 - (iii) the total number of members of the multi-state cooperative society;
 - (iv) the quorum required for such meeting;
 - (v) the number of members present at the meeting;
 - (vi) the number of members who voted in such meeting;
 - (vii) the number of members who voted in favour of such amendments to bye-laws;
 - (c) a copy of the relevant bye-laws in force with the amendment proposed to be made together with reasons justifying such amendments;
 - (d) four copies of the text of the bye-laws incorporating therein the proposed amendments signed by the officer duly authorised in this behalf by the general body;
 - (e) a copy of the notice given to the members and the proposal to amend the bye-laws;
 - (f) a certificate signed by the person who presided at the general meeting certifying that the procedure specified in sub-sections (2) and (3) and the bye-laws, had been followed;
 - (g) any other particular which may be required by the Central Registrar in this behalf.
- (5) Every such application shall be made within sixty days from the date of the general meeting at which such amendment to the bye-laws was passed.
- (6) The procedure given in sub-sections (2) to (5) of this section shall apply to the amendment of the bye-laws of a cooperative society desiring to convert itself into a multi-state cooperative society as per the provisions of section 22.
- (7) If, on receipt of application under sub-section (5), the Central Registrar is satisfied that the proposed amendment-
- (a) is not contrary to the provisions of this Act or of the rules;

- (b) does not conflict with cooperative principles; and
- (c) will promote the economic interests of the members of the multi-state cooperative society,

he may register the amendment within a period of three months from the date of receipt thereof by him.

- (8) The Central Registrar shall forward to the multi-state cooperative society a copy of the registered amendment together with a certificate signed by him within a period of one month from the date of registration thereof and such certificate shall be conclusive evidence that the amendment has been duly registered.
- (9) Where the Central Registrar refuses to register an amendment of the bye-laws of a multi-state cooperative society, he shall communicate the order of refusal together with the reasons therefor to the Chief Executive of the society in the manner prescribed within fifteen days from the date of such refusal;

Provided that if the application for registration is not disposed of within a period of three months specified in sub-section (7) or the Central Registrar fails to communicate the order of refusal within that period, the application shall be deemed to have been accepted for registration and the Central Registrar shall issue registration certificate in accordance with the provisions of this Act.

12. When amendment of bye-laws comes into force

An amendment of the bye-laws of a multi-state cooperative society shall, unless it is expressed to come into operation on a particular day, come into force on the day on which it is registered.

13. Change of name

- (1) A multi-state cooperative society may, by an amendment of its bye-laws, change its name but such change shall not affect any right or obligation of the multi-state cooperative society or of any of its members or past members, and any legal proceedings which might have been continued or commenced by or against the multi-state cooperative society by its former name, may be continued or commence by or against its new name.
- (2) Where a multi-state cooperative society changes its name, the Central Registrar shall enter the new name on the register of multi-state cooperative society in place of former name and shall amend the certificate of registration accordingly.

14. Change of address

Every multi-state cooperative society shall have principal place of business and an address registered in the manner prescribed to which all notices and communications may be sent.

15. Publication of name by multi state cooperative society

Every multi-state cooperative society-

- (a) shall paint or affix its name and the address of its registered office and keep the same painted or affixed, on the outside of every office or place in which its business is carried on, in conspicuous position, in letters easily legible; and if the characters employed therefor are not those of the language, or of one of the languages in general use in that locality, also in the characters of that language or of one of those languages;
- (b) shall have its name engraven in legible characters on its seal; and
- (c) shall have its name and the address of its registered office mentioned in legible characters in all its business letters, in all its bill heads and letter paper, and in all its notices and other official publications; and also have its name so mentioned in all bills of exchange, hundies, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed by or on behalf of the multi-state cooperative society, and in all bills of parcels, invoices, receipts and letters of credit of the multi-state cooperative society.

16. Liability

- (1) No multi-state cooperative society with unlimited liability shall be registered after the commencement of this Act:

Provided that where a multi-state cooperative society with unlimited liability was functioning before the commencement of this Act, such a society shall exercise the option within a period of one year from such commencement either to continue to function as such or to convert itself into a multi-state cooperative society with limited liability by following the procedure specified in sub-sections (2) to (4).

- (2) Subject to the provisions of this Act and the rules, a multi-state cooperative society may, by an amendment of its bye-laws, change the extent of its liability.
- (3) When a multi-state cooperative society has passed a resolution to change the extent of its liability, it shall give notice thereof in writing to all its members and creditors, and, notwithstanding anything

contained in the bye-laws or contract to the contrary, any member or creditor shall, during the period of one month from the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

- (4) Any member or creditor who does not exercise his option within the period specified in sub-section (3) shall be deemed to have assented to the change.
- (5) An amendment of a bye-law of a multi-state cooperative society changing the extent of its liability shall not be registered or shall not take effect until either-
 - (a) the assent thereto of all members and creditors has been obtained; or
 - (b) all claims of members and creditors who exercise the option referred to in sub-section (3) within the period specified therein have been met in full or otherwise satisfied.

17. Amalgamation or transfer of assets and liabilities, or division of multi-state cooperative societies

- (1) A multi-state cooperative society may, by a resolution passed by a majority of not less than two-thirds of the members, present and voting at a general meeting of the society held for the purpose,-
 - (a) transfer its assets and liabilities in whole or in part to any other multi-state cooperative society or cooperative society;
 - (b) divide itself into two or more multi-state cooperative societies;
 - (c) divide itself into two or more cooperative societies.
- (2) Any two or more multi-state cooperative societies may, by a resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of each such society, amalgamate themselves and form a new multi-state cooperative society.
- (3) The resolution of a multi-state cooperative society under sub-section (1) or sub-section (2) shall contain all particulars of the transfer or division or amalgamation, as the case may be.
- (4) When a multi-state cooperative society has passed a resolution under sub-section (1) or sub-section (2), it shall give notice thereof in writing to all the members and creditors, and, notwithstanding anything contained in the bye-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 share, deposits or loans, as the case may be.

- (5) Any member or creditor who does not exercise his option within the period specified in sub-section (4) shall be deemed to have assented to the proposals contained in the resolution.
- (6) (a) A resolution passed by a multi-state cooperative society under this section shall not take effect until the assent thereto of all the members and creditors has been obtained.

(b) The multi-state cooperative society shall make arrangements for meeting in full or otherwise satisfying all claims of the members and creditors who exercise the option within the period specified in sub-section (4).
- (7) On receipt of an application for the registration of new societies formed by division in accordance with the resolution passed under sub-section (1) or of a new society formed by amalgamation in accordance with the resolution passed under sub-section (2), the Central Registrar, on being satisfied that the resolution has become effective under sub-section (6) shall, unless for reasons to be recorded in writing he thinks fit to refuse so to do, Register the new society or societies, as the case may be, and the bye-laws thereof.
- (8) On the issue of an order under sub-section (7), the provisions of section 21 shall, so far as may be, apply to the multi-state cooperative society so divided or the multi-state cooperative societies so amalgamated.
- (9) Where a resolution passed by a multi-state cooperative society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any other law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

18. Central Registrar to prepare scheme of amalgamation or reorganisation of a cooperative bank in certain cases

When an order of moratorium has been made by the Central Government under sub-section (2) of section 45 of the Banking Regulation Act, 1949 (10 of 1949) in respect of a cooperative bank, the Central Registrar, with the previous approval of the Reserve Bank in writing, may, during the period of moratorium prepare a scheme-

- (a) for the amalgamation of the cooperative bank with any other cooperative bank; or
- (b) for the reorganisation of the cooperative bank.

19. Promotion of subsidiary institution

- (1) Any multi-state cooperative society may, by a resolution passed at general meeting by a majority of members present and voting, promote one or more subsidiary institutions, which may be registered under any law for the time being in force, for the furtherance of its stated objects.
- (2) Any subsidiary institution promoted under sub-section (1) shall exist only as long as general body of the multi-state cooperative society deems its existence necessary.

Provided that a multi-state cooperative society while promoting such a subsidiary institution, shall not transfer or assign its substantive part of business or activities undertaken in furtherance of its stated objects.

Explanation – For the purposes of this section,-

- (a) an institution shall be deemed to be a subsidiary institution if the multi-state cooperative society,-
 - (i) controls the management or board of directors or members of governing body of such institution; or
 - (ii) holds more than half in nominal value of equity shares of such institutions; or
 - (iii) if one or more members of such multi-state cooperative society, hold whether by themselves or together with subsidiary institution or their relatives, as the case may be, the majority of equity shares in this institution;
- (b) a subsidiary institution shall not include a partnership firm.
- (3) The annual reports and accounts of any such subsidiary institution shall be placed each year before general meeting of the promoting multi-state cooperative society.

20. Liability of a cooperative bank to deposit insurance and credit guarantee corporation

Notwithstanding anything contained in section 17 or any other provision of this Act, where a cooperative bank, being an insured bank within the meaning of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, is amalgamated or reorganised and the Deposit Insurance Corporation has become liable to pay to the depositors of the insured bank under sub-section (2) of section 16 of that Act, the bank with which such insured bank is amalgamated or the new cooperative bank formed after such amalgamation, or, as the case may be, the insured bank or transferee bank shall be under an obligation to repay to the Deposit Insurance Corporation in the circumstances, to the extent and in the

manner referred to in section 21 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

21. Cancellation of registration certificate of multi-state cooperative societies in certain cases

- (1) Where the whole of the assets and liabilities of a multi-state cooperative society are transferred to another multi-state cooperative society or to a cooperative society in accordance with the provisions of section 17, the registration of the first mentioned multi-state cooperative society shall stand cancelled and the society shall be deemed to have been dissolved and shall cease to exist as a corporate body.
- (2) Where two or more multi-state cooperative societies are amalgamated into a new multi-state cooperative society in accordance with the provisions of section 17, the registration of each of the amalgamating societies shall stand cancelled on the registration of the new society, and each of the amalgamating societies shall be deemed to have been dissolved and shall cease to exist as a corporate body.
- (3) Where a multi-state cooperative society divides itself into two or more multi-state cooperative societies or two or more cooperative societies in accordance with the provisions of section 17, 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.
- (4) The amalgamation or division of multi-state cooperative societies shall not in any manner whatsoever affect any right or obligation of the resulting multi-state cooperative society or societies or render defective any legal proceedings by or against the multi-state cooperative society or societies, and any legal proceedings that might have been continued or commenced by or against the multi-state cooperative society or societies, as the case may be, before the amalgamation or division, may be continued or commenced by or against the resulting multi-state cooperative society or societies.

22. Conversion of a cooperative society into a multi-state cooperative society

- (1) A cooperative society may, by an amendment of its bye-laws, extend its jurisdiction and convert itself into a multi-state cooperative society:

Provided that no such amendment of bye-laws of a cooperative society shall be valid unless it has been registered by the Central Registrar.

- (2) (a) Every proposal for such amendment of bye-laws shall be forwarded to the Central Registrar in accordance with the provisions contained in sub-section (4) of section 11.
- (b) If the Central Registrar, after consulting the Registrars of Cooperative Societies of the States concerned, has satisfied himself that such amendment-
 - (i) fulfils the requirements of the members being from more than one state:
 - (ii) is in accordance with the provisions contained in sub-section (4) of section 11,

he may register the amendment within a period of six months from the date of receipt thereof by him.

Provided that no cooperative society shall be deemed to have been converted into a multi-state cooperative society on any ground whatsoever unless such society is registered as a multi-state cooperative society.

- (3) The Central Registrar shall forward to the cooperative society a copy of the registered amendment together with a certificate signed by him and such certificate shall be conclusive evidence that the amendment has been registered.
- (4) Where the Central Registrar refuses to register an amendment of the bye-laws or a cooperative society, he shall communicate the order of refusal together with the reasons therefor to the society in the manner prescribed within seven days from the date of refusal.
- (5) (a) Once the amendment of bye-laws has been registered by the Central Registrar, the cooperative society shall, as from the date of registration of amendment, become a multi-state cooperative society.
- (b) The Central Registrar shall forward to the cooperative society a certificate signed by him to the effect that such society has been registered as a multi-state cooperative society under this Act and also forward a copy of the same to the Registrar of Cooperative Societies of the State concerned.
- (c) The Registrar of Cooperative Societies referred to in clause (b) shall thereupon make an order directing that the society had, as from the date of registration by the Central Registrar, ceased to be a society under the law relating to cooperative societies in force in that state.

Chapter III

Registration and Functions of Federal Cooperatives

23. Registration of federal cooperative

- (1) Every federal cooperative shall obtain registration certification in accordance with the provisions of this Act.
- (2) Every federal cooperative shall in its general meeting be represented by its member cooperative.
- (3) The classification of federal cooperative and other terms and conditions applicable to it shall be such as may be prescribed.
- (4) All provisions of this Act, applicable to a multi-state cooperative society shall, as far as may be, apply to a federal cooperative.

24. Functions of federal cooperative

- (1) Subject to the provisions of this Act and any other law for the time being in force, a federal cooperative may discharge the functions to facilitate the voluntary formation and democratic functioning of cooperative societies as federal cooperative or multi-state cooperatives based on self-help and mutual aid.
- (2) Without prejudice to the generality of the provisions contained in sub-section 2 the federal cooperative may-
 - (a) ensure compliance of the cooperative principles;
 - (b) make model bye-laws and policies for consideration of its member cooperative;
 - (c) provide specialised training, education and data-base information;
 - (d) undertake research, evaluation and assist in preparation of perspective development plans for its member cooperative;
 - (e) promote harmonious relations amongst member cooperative;
 - (f) help member cooperative to settle disputes among themselves;
 - (g) undertake business services on behalf of its member cooperative, if specifically required by or under the resolution of the general body or the board, or bye-laws of a member of cooperative;
 - (h) provide management development services to a member cooperative;
 - (i) evolve code of conduct for observance by a member cooperative;
 - (j) evolve viability norms for a member cooperative;
 - (k) provide legal aid and advice to a member cooperative;
 - (l) assist member cooperative in organising self-help;
 - (m) develop market information system logo brand promotion, quality control and technology upgradation.

Chapter IV

Members of Multi-state Cooperative Societies and their duties, rights and liabilities

25. Persons who may become members

- (1) No person shall be admitted as a member of a multi-state cooperative society except the following, namely-
 - (a) an individual, competent to contract under section 11 of the Indian Contract Act, 1872 (9 of 1872);
 - (b) any multi-state cooperative society or any cooperative society;
 - (c) the Central Government;
 - (d) a State Government;
 - (e) the National Cooperative Development Corporation established under the National Cooperative Development Corporation Act, 1962 (26 of 1962);
 - (f) any other corporation owned or controlled by the Government;
 - (g) any Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);
 - (h) such class or classes or persons or association of persons as may be permitted by the Central Registrar having regard to the nature and activities of a multi-state cooperative society.
- (2) No individual person shall be eligible for admission as a member of a national cooperative society or a federal cooperative.
- (3) Any person eligible for membership of a multi-state cooperative society may, on his application, be admitted as a member by such society.
- (4) Every application for admission as a member of a multi-state cooperative society shall be disposed of by such society within a period of four months from the date of receipt of the application, and the decision of such society on the application shall be communicated to the applicant within fifteen days from the date of such decision:

Provided that if the application is not disposed of within the period aforesaid, or the decision is not communicated within a period of fifteen days of the expiry of the aforesaid period of four months, the multi-state cooperative society shall be deemed to have made a decision, on the date of expiry of such period, refusing admission to the applicant.
- (5) It shall be the duty of every member of a multi-state cooperative society to promote and protect the interests and objects of such society.

26. Nominal or associate members of society

A multi-state cooperative society may, if provided in its bye-laws, admit a person as nominal or associate member:

Provided that no such nominal or associate member shall be entitled to subscribe the shares of such society or have any interest in the management thereof including right to vote, elect as a director of the board or participate in the general body meetings.

27. Educational course for members

- (1) Every multi-state cooperative society shall organise cooperative education programmes for its members, directors and employees.
- (2) Every multi-state cooperative society may provide funds for such cooperative education programmes.

28. Members not to exercise rights till due payment made

No member of a multi-state cooperative society shall exercise the rights of a member, unless he has made the payment to the society in respect of membership, or has acquired such interest in the society, as may be specified in the bye-laws.

29. Disqualification for member of a multi-state cooperative society

No person shall be eligible for being a member of a multi-state cooperative society if-

- (a) his business is in conflict or competitive with the business of such multi-state cooperative society; or
- (b) he used for two consecutive years the services below the minimum level specified in the bye-laws; or
- (c) he has not attended three consecutive general meetings or the multi-state cooperative society and such absence has not been condoned by the members in the general meeting; or
- (d) he has made any default in payment of any amount to be paid to the multi-state cooperative society under the bye-laws of such society.

30. Expulsion of members

- (1) A multi-state cooperative society may, by resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of members held for the purpose, expel a member for acts which are detrimental to the proper working of the society:

Provided that the member concerned shall not be expelled unless he has been given a reasonable opportunity of making representation in the matter.

- (2) No member of the multi-state cooperative society, who has been expelled under sub-section (1), shall be eligible for re-admission as a member of that society, for a period of one year from the date of such expulsion.

31. Vote of members

Every member of a multi-state cooperative society, including a member who is an employee of such society, shall have one vote in the affairs of the society:

Provided that-

- (a) a member who is an employee of such society shall not be entitled to vote
 - (i) at the election of a member of the board of such society;
 - (ii) in any general meeting convened for framing the bye-laws of such society or any amendments thereto:
- (b) in the case of an equality of votes, the chairperson shall have a casting vote;
- (c) where any of the authorities, multi-state cooperative society or a cooperative society referred to in clauses (b) to (g) of sub-section (1) of section 25 is a member of a multi-state cooperative society, each person nominated by such authority or society, on the board in accordance with provisions contained in this Act and the rules shall, have one vote:
- (d) a multi-state cooperative society, the membership of which include cooperative societies or other multi-state cooperative society, may provide in its bye-laws for an equitable system of voting having regard to the membership of, and the extent of business carried on by such cooperative societies or multi-state cooperative societies.

32. Manner of Exercising Vote

Every member of a multi-state cooperative society shall exercise his vote in person and no member shall be permitted to vote by proxy:

Provided that a multi-state cooperative society or a cooperative society or any other institution which is a member of any other multi-state cooperative society may, subject to the provisions of sub-section (3) of section 38 and the rules, appoint its representative to vote on its behalf in the affairs of such multi-state cooperative society.

33. Restriction on holding of shares

No member, other than the authorities referred to in clauses (c) to (g) of sub-section (1) of section 25 of a multi-state cooperative society or a cooperative society, shall hold more than such portion of the total share capital of the society (in no case exceeding one-fifth thereof) as may be prescribed in the rules or bye-laws of such multi-state cooperative society.

34. Restriction on transfer of shares or interest

The transfer of share or interest of a member in the capital of a multi-state cooperative society shall be subject to such conditions as to maximum holding as specified in section 33.

35. Redemption of shares

- (1) Shares held in a multi-state cooperative society by any of the authorities referred to in clauses (c) to (g) of sub-section (1) of section 25 shall be redeemable in accordance with the bye-laws of such multi-state cooperative society and in a case where the bye-laws do not contain any provision in this regard, in such manner as may be agreed upon between the multi-state cooperative society and such authority.
- (2) The redemption of shares referred to in sub-section (1) shall be on the face value of the shares.

36. Transfer of interest on death of members

- (1) On the death of a member, a multi-state cooperative society may transfer the share or interest of the deceased member to the person nominated in accordance with the bye-law made in this behalf or, if there is no person nominated, to such person as may appear to the board to be the heir or legal representative of the deceased member, or pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest as ascertained in accordance with the rules:

Provided that no such transfer or payment shall be made except with the consent of the nominee, heir or legal representative, as the case may be.

- (2) A multi-state cooperative society shall, unless within six months of the death of the member prevented by an order of a competent court, pay to such nominee, heir or legal representative, as the case may be, all other moneys due to the deceased member from the society.

- (3) All transfers and payments made by a multi-state cooperative 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.

37. Liabilities of past member and estate of deceased member

- (1) Subject to the provisions of sub-section (2), the liability of a past member or of the estate of a deceased member of a multi-state cooperative society for the debts of the society as they existed-
 - (a) in the case of a past member, on the date on which he ceased to be a member;
 - (b) in the case of a deceased member, on the date of his death.

shall continue for a period of two years from such date.

- (2) Notwithstanding anything contained in sub-section (1), where a multi-state cooperative society is ordered to be wound up under section 86, the liability of a past member who ceased to be a member or of the estate of a deceased member who died within two years immediately preceding the date of the order of winding up, shall continue until the entire liquidation proceedings are completed, but such liability shall extend only to the debts of the society as they existed on the date of cessation of membership or death, as the case may be.

Chapter V

Direction and Management of Multi-State Cooperative Societies

38. Constitution, powers and functions of general body

- (1) The general body of a multi-state cooperative society shall consist of all the members of such society:

Provided that where the bye-laws of a multi-state cooperative society provide for the constitution of a smaller body consisting of delegates of members of the society elected or selected in accordance with such bye-laws, that smaller body shall exercise such powers of the general body as may be prescribed or as may be specified in the bye-laws of the society.

- (2) Subject to the provisions of this Act, the rules and the bye-laws, the ultimate authority of a multi-state cooperative society shall vest in the general body of its members:

Provided that nothing contained in this sub-section shall affect the exercise by the board or any officer of a multi-state cooperative society of any power conferred on such board or such officer by this

Act or the rules or the bye-laws.

- (3) Where in any meeting of the general body or the board of a multi-state cooperative society, a cooperative society or another multi-state cooperative society is to be represented, such cooperative society or other multi-state cooperative society shall be represented in such meeting only through the Chairperson or the president or the Chief Executive or a member of the board of such cooperative society or other multi-state cooperative society, as the case may be, if such member is so authorised by the board and where there is no board of such cooperative society or other multi-state cooperative society, for whatever reasons, through the administrator, by whatever name called, of such cooperative society or other multi-state cooperative society:

Provided that where the bye-laws of a multi-state cooperative society provide for representation of other institutions in any meeting of general body or the board of such multi-state cooperative society, such institutions shall be represented through its nominee.

39. Annual general meeting of general body

- (1) The board of every multi-state cooperative society shall, within such period as may be prescribed, and not later than six months after the close of the corresponding year, call the annual general meeting in the manner prescribed for the purpose of-
 - (a) consideration of the audited statement of accounts;
 - (b) consideration of the audit report and annual report;
 - (c) consideration of audit compliance report;
 - (d) disposal of net profits;
 - (e) review of operational deficit, if any;
 - (f) creation of specific reserves and other funds;
 - (g) approval of the annual budget;
 - (h) review of actual utilisation of reserve and other funds;
 - (i) approval of the long-term perspective plan and the annual operational plan;
 - (j) review of annual report and accounts of subsidiary institution, if any;
 - (k) expulsion of members;
 - (l) list of employees who are relatives of members of the board or of the Chief Executive;
 - (m) amendment of bye-laws, if any;
 - (n) formulation of code of conduct for the members of the board and officers;
 - (o) election of members of the board, if any.
- (2) Where the board of a multi-state cooperative society fails to convene the annual general meeting within the period specified in

sub-section (1), the Central Registrar or the person authorised by him in this behalf shall be competent to convene such annual general meeting within a period of ninety days from the date of expiry of the period mentioned in that sub-section and the expenditure incurred on such meeting shall be borne by the society.

- (3) At every annual general meeting of a multi-state cooperative society, the board lay before the society a statement showing the details of the loans or goods on credit, if any, given to any of the members of the board or to the spouse or a son or daughter of a member of the board during the preceding year or outstanding against him or against such spouse or son or daughter of the member of the board.

40. Special general meeting of general body

- (1) The Chief Executive may, at any time, on the direction of the board, call a special general meeting of the society and shall call such meeting within one month after the receipt of a requisition in writing from the Central Registrar or from such member or members or a proportion of the total number of members, as may be provided in the bye-laws.
- (2) If a special general meeting of a multi-state cooperative society is not called in accordance with the requisition referred to in sub-section (1), the Central Registrar or any person authorised by him in this behalf shall have the power to call such meeting and that meeting shall be deemed to be a meeting called by the Chief Executive in accordance with the provisions of that sub-section and the Central Registrar may order that the expenditure incurred in calling such meeting shall be paid out of the funds of the society or by such person or persons who, in the opinion of the Central Registrar, was or were responsible for the refusal or failure to convene the special general meeting.

41. Board of directors

- (1) Subject to the provisions of this Act and rules, there shall be a board of directors for every multi-state cooperative society consisting of such number of members as specified in sub-section (3).
- (2) The members of a multi-state cooperative society, by a resolution in a general meeting, shall elect directors who shall be members of board.
- (3) The board shall consist of such number of directors as may be specified in the bye-laws:

Provided that the maximum number of directors in no case shall exceed twenty-one:

Provided further that the board may co-opt two directors in addition to twenty-one directors specified in the first proviso:

Provided also that the functional directors in the national cooperative societies shall also be the members of the board and such members shall be excluded for the purpose of counting the total number of directors specified in the first proviso.

42. Association of employees in management decision making process

Every multi-state cooperative society shall devise such procedure, as may be specified in the bye-laws or in the administrative instructions of such society, for the association of the representatives of employees of such multi-state cooperative societies at such level or bodies as may be specified in the bye-laws or the instructions issued in this regard, in the management decision making process.

43. Disqualifications for being a member of board

- (1) No member of any multi-state cooperative society or nominee of a member, society or a national cooperative society shall be eligible for being chosen as, or for being, a member of the board of such multi-state cooperative society or a national cooperative society, or of any other cooperative society to which the multi-state cooperatives society is affiliated, if such member-
 - (a) has been adjudged by a competent court to be insolvent or of unsound mind;
 - (b) is concerned or participates in the profits of any contract with the society;
 - (c) has been convicted for an offence involving moral turpitude;
 - (d) holds any office or place of profit under the society:

Provided that the Chief Executive or such full time employee of the society as may be notified by the Central Government from time to time or a person elected by the employees of such society to represent them on the board of such society shall be eligible for being chosen as, or for being, a member of such board:

- (e) has been a member of the society for less than twelve months immediately preceding the date of such election or appointment;
- (f) has interest in any business of the kind carried on by the society of which he is a member;
- (g) has taken loan or goods on credit from the society of which he

is a member, or is otherwise indebted to such society and after the receipt of a notice of default issued to him by such society, has defaulted-

- (i) in repayment of such loan or debt or in payment of the price of the goods taken on credit, as the case may be, within the date fixed for such repayment or payment or where such date is extended, which in no case shall exceed six months, within the date so extended, or
- (ii) when such loan or debt or the price of goods taken on credit is to be paid in instalments, in payment of any instalment, and the amount in default or any part thereof has remained unpaid on the expiry of six months from the date of such default:

Provided that a member of the board who has ceased to hold office as such under this clause shall not be eligible, for a period of one year, from the date on which he ceased to hold office, for re-election as a member of the board of the multi-state cooperative society of which he was a member or for the election to the board of any other multi-state cooperative society;

- (h) is a person against whom any amount due under a decree, decision or order is pending recovery under this Act;
- (i) is retained or employed as a legal practitioner on behalf of or against the multi-state cooperative society, or on behalf of or against any other multi-state cooperative society which is a member of the former society.

Explanation – For the purposes of this clause, “legal practitioner” has the same meaning as in clause (i) of sub-section (1) of section 2 of the Advocates Act, 1961 (25 of 1961):

- (j) has been convicted for any offence under this Act;
 - (k) is disqualified for being a member under section 29;
 - (l) has been expelled as a member under section 30;
 - (m) absents himself from three consecutive board meetings and such absence has not been condoned to by the board;
 - (n) absents himself from three consecutive general body meetings and such absence has not been condoned by the members in the general body.
- (2) A person shall not be eligible for being elected as member of board of a multi-state cooperative society for a period of five years if the

board of such multi-state cooperative society fails-

- (a) to conduct elections of the board under section 45; or
- (b) to call the annual general meeting under section 39; or
- (c) to prepare the financial statement and present the same in the annual general meeting.

44. Prohibition to hold office of chairperson or president or vice-chairperson or vice president in certain cases

- (1) No member of a board shall be eligible to be elected as the chairperson or president or vice-chairperson or vice-president of a multi-state cooperative society if such member is a Minister in the Central Government or a State Government.
- (2) No member of a board shall be eligible to be elected as the chairperson or president of a multi-state cooperative society, after he has held the office as such during two consecutive terms, whether full or part:

Provided that a member who has ceased to hold the office of the chairperson or president continuously for one full term shall again be eligible for election to the office as such.

Explanation:- where any member holding the office of the chairperson or president at the commencement of this Act is against elected to that office after such commencement, he shall for the purpose of this section, be deemed to have held office for one term before such election.

45. Elections of members of board

- (1) The conduct of elections to the board of a multi-state cooperative society shall be the responsibility of the existing board.
- (2) The election of members of board shall be held by secret ballot in the manner as may be prescribed.
- (3) The election of the members of the board shall be held in the general meeting of the members of the multi-state cooperative society.
- (4) The elected members of the board shall, if the bye-laws of such society permit, be eligible for re-election.
- (5) The term of office of the elected members of the board shall be such, not exceeding five years from the date of elections, as may be specified in the bye-laws of a multi-state cooperative society:

Provided that elected members shall continue to hold office till their successors are elected or nominated under the provisions of this Act or the rules or bye-laws and assume charge of their office.

- (6) Where the board fails to conduct election of the members of board, the Central Registrar shall hold the election within a period of ninety days from the date when such election became due.
- (7) No person shall be eligible to be elected as a member of the board of a multi-state cooperative society unless he is a member of the general body of that society.
- (8) The expenses for holding election by the Central Registrar shall be borne by the multi-state cooperative society.
- (9) The Central Government may make rules generally to provide for or to regulate matters in respect of election of members of the board.

46. Holding of office in cooperative society

Notwithstanding anything contained in this Act, no person shall be eligible to hold, at the same time, office of a president or chairperson or vice-president or vice-chairperson on the board of more than two multi-state cooperative societies.

47. Removal of elected members by general body

An elected member of a board, who has acted adversely to the interests of multi-state cooperative society, may on the basis of a report of the Central Registrar or otherwise be removed from the board upon a resolution of the general body passed at its meeting by a majority of not less than two-third of the members present and voting at the meeting:

Provided that the member concerned shall not be removed unless he has been given a reasonable opportunity of making a representation in the matter.

48. Nominee of Central Government or State Government on the board

- (1) Where the Central Government or a State Government has subscribed to the share capital of a multi-state cooperative society, the Central Government or the State Government, as the case may be, or any person authorised by the Central Government or the State Government shall have right to nominate on the board such number of persons as its members on the following basis, namely:-
 - (a) where the total amount of issued equity share capital held by the Central Government or the State Government is less than twenty six per cent of the total issued equity share capital, one member of the board;

- (b) where the total amount of issued equity share capital held by the Central Government or the State Government is twenty-six per cent or more but less than fifty-one per cent of the total issued equity share capital, two members of the board;
- (c) where the total amount of issued equity share capital held by the Central Government or the State Government is fifty-one per cent or more of the total issued share capital, three members of the board:

Provided that the number of such nominated persons shall not exceed one third of the total number of members of the board:

Provided further that where the Central Government or a State Government has guaranteed the repayment of principal and payment of interest on debentures issued by a multi-state cooperative society or has guaranteed the repayment of principal and payment of interest on loans and advances to a multi-state cooperative society or has given any assistance by way of grants or otherwise to a multi-state cooperative society, the Central Government or the State Government in this behalf, as the case may be, or any person authorised by the Central Government, shall have the right to nominate person on the board of such a society in the manner as may be prescribed.

- (2) A person nominated under this section shall hold office during the pleasure of the Government by which he has been so nominated,

49. Powers and functions of board

- (1) The board may exercise all such powers as may be necessary or expedient for the purpose of carrying out its functions under this Act.
- (2) Without prejudice to the generality of the foregoing powers, such powers shall include the power-
 - (a) to admit members;
 - (b) to interpret the organisational objectives and set up specific goals to be achieved towards these objectives;
 - (c) to make periodic appraisal of operations;
 - (d) to appoint and remove a Chief Executive and such other employees of the society as are not required to be appointed by the Chief Executive;
 - (e) to make provisions for regulating the appointment of employees of the multi-state cooperative society and the scales of pay, allowances and other conditions of service of, including disciplinary action against such employees;
 - (f) to place the annual report, annual financial statements, annual plan and budget for the approval of the general body;

- (g) to consider audit and compliance report and place the same before the general body;
- (h) to acquire or dispose of immovable property;
- (i) to review membership in other cooperatives;
- (j) to approval annual and supplementary budget;
- (k) to raise funds;
- (l) to sanction loans to the members; and
- (m) to take such other measures or to do such other acts as may be prescribed or required under this Act or the bye-laws or as may be delegated by the general body.

50. Meeting of board

- (1) The Chief Executive shall convene the meetings of the board at the instance of the chairperson or president of the multi-state cooperative society.
- (2) The total number of meetings of the board in a year and the venue of meetings as may be specified in the bye-laws:

Provided that the board shall meet at least once in every quarter:

Provided further that not more than two persons may be invited by the board in its meetings.

- (3) The Chairperson, or if for any reason, he is unable to attend a meeting of the board, any other member of the board chosen by the members of the board present from amongst themselves at the meeting, shall preside at the meeting.

51. Chief Executive

- (1) There shall be a Chief Executive, by whatever designation called, of every multi-state cooperative society to be appointed by the board and he shall be a full-time employee of such multi-state cooperative society.
- (2) The Chief Executive shall be a member of the board and of the Executive Committee and such other committees or sub-committees as may be constituted under sub-section (1) of section 53.
- (3) Where the Central Government or the State Government holds fifty one per cent, or more of the equity share capital or of total shares of the multi-state cooperative society, the salary and allowances payable to and other terms and conditions of service including pension, gratuity and other retirement benefits of the Chief Executive shall be such as may be prescribed.

52. Powers and functions of Chief Executive

The Chief Executive shall under the general superintendence, direction and control of the board, exercise the powers and discharge the functions specified below, namely:

- (a) day-to-day management of the business of the multi-state cooperative society;
- (b) operating the account of the multi-state cooperative society and be responsible for making arrangements for safe custody of cash;
- (c) signing on the documents for and on behalf of the multi-state cooperative society;
- (d) making arrangements for the proper maintenance of various books and records of the multi-state cooperative society and for the correct preparation, timely submission of periodical statements and returns in accordance with the provisions of this Act, the rules and the bye-laws;
- (e) convening meetings of the general body of the multi-state cooperative society, the board and the Executive Committee and other committees or sub-committees constituted under sub-section (1) of section 53 and maintaining proper records for such meetings;
- (f) making appointments to the posts in the multi-state cooperative society in accordance with the bye-laws;
- (g) assisting the board in the formulation of policies, objectives and planning;
- (h) furnishing to the board periodical information necessary for appraising the operations and functions of the multi-state cooperative society;
- (i) appoint the person to sue or be sued on behalf of the multi-state cooperative society;
- (j) present the draft annual report and financial statement for the approval of the board within thirty days of closure of the financial year;
- (k) performing such other duties, and exercising such other powers, as may be specified in the bye-laws of the multi-state cooperative society.

53. Committees of board

- (1) The board may, subject to such conditions as may be prescribed, constitute an Executive Committee and other committees or sub-committees as may be considered necessary:

Provided that other committees or sub-committees, other than the Executive Committee shall not exceed three.

- (2) The Executive Committee or other committee or sub-committee referred to in sub-section (1) shall perform such functions as are assigned to it in accordance with the bye-laws of the multi-state cooperative society.

54. Securing possession of records, etc

- (1) if-
- (a) the records, including registers and books of account of a multi-state cooperative society are likely to be tampered with or destroyed or the funds or other property of such society are likely to be mis-appropriated; or
 - (b) the board of a multi-state cooperative society is reconstituted at a general meeting of the society; or
 - (c) a multi-state cooperative society is ordered to be wound up under section 86 and the outgoing members of the board refuse to handover charge of the records and property of the society to those having or entitled to receive such charge.

the Chief Executive may apply to the magistrate within whose jurisdiction the multi-state cooperative society functions for securing the records and property of the society.

- (2) On receipt of an application under sub-section (1), the magistrate may, by a warrant, authorise any police officer not below the rank of a sub-inspector to enter and search any place where such records and property are kept or are believed to be kept and to seize such records and property; and the records and property so seized shall be handed over to the new board or the liquidator, as the case may be
- (3) Every such search and seizure shall be made in accordance with the provisions of the Code of Criminal Procedure, 1973 (2 of 1974).

Chapter VI

Privileges of Multi-State Cooperative Societies

55. Charge and set-off in respect of share or contribution or interest of members

A multi-state cooperative society shall have a charge on the share or contribution or interest in the capital and on the deposits of a member or past or deceased member and on any dividend, bonus or profits payable to a member or past member or the estate of a deceased member in respect of any debt due from such member or past member or the estate of such deceased member to the society and may set-off any sum credited or payable to a member or past member or the estate of deceased member in or towards payment of any such debt.

56. Share of contribution or interest not liable to attachment

- (1) Subject to the provisions of section 55, the share or contribution or interest of a member or past or deceased member in the capital of a multi-state cooperative society shall not be liable to attachment or sale under any decree or order of any court in respect of any debt or liability incurred by such member, and an official assignee or a receiver under any law relating to insolvency shall not be entitled to, or have any claim on, such share or contribution or interest.
- (2) The reserve fund, or the bad debt reserves, or the provident fund of the employees, of a multi-state cooperative society invested by such society in accordance with the provision of this Act and the bye-laws shall not be liable to attachment under any decree or order of a court in respect of any debt or liability incurred by the society.

57. Register of members

Any register or list of members or shares kept by any multi-state cooperative society shall be prima facie evidence of any of the following particulars entered therein, namely:-

- (a) the date on which any person entered in such register or list became a member; or
- (b) the date on which any such person ceased to be a member.

58. Admissibility of copy of entry as evidence

- (1) A copy of any entry in a book of a multi-state cooperative society regularly kept in the course of its business shall, if certified in such manner as may be prescribed, be received in any suit or legal proceedings 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 if admissible.
- (2) No officer of a multi-state cooperative society and no officer in whose office the books of a multi-state cooperative society are deposited after liquidation shall, in any legal proceedings to which the society or the liquidator is not a party, be compelled to produce any of the society's books or documents the contents of which can be proved under this section, or to appear as a witness to prove the matters, transactions and accounts therein recorded, except under an order of a court or an arbitrator made for a special cause.

59. Exemption from compulsory registration of instruments

Nothing in clauses (b) and (c) of sub-section (1) of section 17 of the Registration Act, 1908 (16 of 1908) shall apply to-

- (a) any instrument relating to shares in a multi-state cooperative society notwithstanding that the assets of the society consist in whole or in part of immovable property; or
- (b) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property, except in so far as it entitles the holder thereof to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or
- (c) an endorsement upon transfer of any debenture issued by any such society.

60. Deduction from salary to meet multi-state cooperative society's claim in certain cases

- (1) Notwithstanding anything contained in any law for the time being in force, a member of a multi-state cooperative society may execute an agreement in favour of that society providing that his employer disbursing his salary or wages shall be competent to deduct every month from the salary or wages payable to him, such amount as may be specified in the agreement and to pay the amount so deducted to the society in satisfaction of any debt or other demand the member owes to the society.
- (2) On the execution of such agreement, the employer disbursing the salary or wages of the members shall, if so required by the multi-state cooperative society, by a requisition in writing and so long as the society does not intimate that the whole of such debt or other demand has been paid, make the deduction in accordance with the agreement and pay the amount so deducted to the society within a period of fourteen days of the date on which deduction has been made, as if it were a part of the salary or wages payable on the day as required under the Payment of Wages Act, 1936 (4 of 1936), and such payment shall be valid discharge of the employer for his liability to pay the amount deducted.
- (3) If after the receipt of a requisition made under sub-section (2), the employer disbursing the salary or wages of the member at any time fails to deduct the amount specified in the requisition from the salary or wages payable to the member concerned or makes default in remitting the amount deducted to the multi-state cooperative society, the society shall be entitled to recover any such amount from such employer as arrears of land revenue and the amount so due from such employer shall rank in priority in respect of the liability of such employer equal to that of the salary or wages in arrears.

61. Government aid to multi-state cooperative societies

Notwithstanding anything contained in any law for the time being in force, the Central Government or a State Government, on receipt of request from a multi-state cooperative society and with a view to promoting cooperative movement, may,-

- (a) subscribe to the share capital of a multi-state cooperative society;
- (b) give loans or make advances to a multi-state cooperative society;
- (c) guarantee the repayment of principal and payment of interest on debentures issued by a multi-state cooperative society;
- (d) guarantee the repayment of share capital of a multi-state cooperative society and dividends thereon at such rates as may be specified by the Central Government or the State Government;
- (e) guarantee the repayment of principal and payment of interest on loans and advances to a multi-state cooperative society;
- (f) give financial assistance in any other form, including subsidies, to any multi-state cooperative society; and
- (g) provide aid to any other multi-state cooperative society on such terms and conditions as may be prescribed.

Chapter VII

Properties and Funds of Multi-State Cooperative Societies

62. Funds not to be divided by way of profit

- (1) No part of the funds, other than net profits, of a multi-state cooperative society shall be divided by way of bonus or dividend or otherwise distributed among its members.
- (2) The net profits of a multi-state cooperative society referred to in sub-section (1) in respect of a society earning profits shall be calculated by deducting from the gross profit for the year, all interest accrued and accruing in relation to amounts which are overdue, establishment charges, interest payable on loans and deposits, audit fees, working expenses including repairs, rent, taxes and depreciation, bonus payable to employees under the law relating to payment of bonus for the time being in force, and equalisation fund for such bonus, provision for payment of income-tax and making approved donations under the Income-tax Act, 1961 (43 of 1961), development rebate, provision for development fund, bad debt fund, price fluctuation fund, dividend equalisation fund, share capital redemption fund, investment fluctuation fund, provision for retirement benefits to employees, and after providing for or writing off bad debts and losses not adjusted against any fund created out of profit:

Provided that such society may added to the net profits for the year interest accrued in the preceding years, but actually recovered during the year:

Provided further that in the case of such multi-state cooperative societies as do not have share capital, the surplus of income over expenditure shall not be treated as net profits and such surplus shall be dealt with in accordance with the bye-laws.

63. Disposal of net profits

- (1) A multi-state cooperative society shall, out of its net profits in any year-
 - (a) transfer an amount not less than twenty-five per cent, to the reserve fund;
 - (b) credit one per cent, to cooperative education fund maintained, by the National Cooperative Union of India Limited, New Delhi, in the manner as may be prescribed;
 - (c) transfer an amount not less than ten per cent to a reserve fund for meeting unforeseen losses.

- (2) Subject to such conditions as may be prescribed, the balance of the net profits may be utilised for all or any of the following purposes, namely:-
 - (a) payment of dividend to the members on their paid-up share capital at a rate not exceeding the prescribed limit;
 - (b) constitution of, or contribution to, such special funds including education funds, as may be specified in the bye-laws;
 - (c) donation of amounts not exceeding five per cent, of the net profits for any purpose connected with the development of cooperative movement or charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890 (6 of 1890);
 - (d) payment of *ex gratia* amount to employees of the multi-state cooperative society to the extent and in the manner specified in the bye-laws.

64. Investment of funds

A multi-state cooperative society may invest or deposit its funds-

- (a) in a cooperative bank, state cooperative bank, cooperative land development bank or central cooperative bank; or
- (b) in any of the securities specified in section 20 of the Indian Trust Act, 1882 (2 of 1882); or
- (c) in the shares or securities of any other multi-state cooperative society or any cooperative society; or

- (d) in the shares, securities or assets of a subsidiary institution or any other institution; or
- (e) with any other bank; or
- (f) in such other mode as may be provided in the bye-laws.

Explanation- For the purposes of clause (e), "bank" means any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), and includes-

- (i) the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);
- (ii) a subsidiary bank as defined in clause (k) of section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);
- (iii) a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).

65. Restriction on contribution

No multi-state cooperative society shall make a contribution, either in money or in kind, whether directly or indirectly, to an institution which has an object of furtherance of the interest of a political party.

66. Restriction on loans

- (1) A multi-state cooperative society, other than a cooperative bank, shall not make a loan to a member on the security of his share or on the security of a non-member.
- (2) Notwithstanding anything contained in sub-section (1), a multi-state cooperative society may make a loan to a depositor on the security of his deposit.

67. Restrictions on borrowing

- (1) A multi-state cooperative society may receive deposits, raise loans and receive grants from external sources to such extent and under such conditions as may be specified in the bye-laws:

Provided that the total amount of deposits and loans received during any financial year shall not exceed ten times of the sum of subscribed share capital and accumulated reserves:

Provided further that while calculating the total sum of subscribed share capital and accumulated reserves, the accumulated losses shall be deducted.

- (2) Subject to provisions of sub-section (1), a multi-state cooperative society may accept funds or borrow funds for the fulfilment of its objects on such terms and conditions as are mutually contracted upon.
- (3) A multi-state cooperative society may issue non-convertible debentures or other instruments subject to the provisions of any law for the time being in force to raise resources for the fulfilment of its objectives to the extent of twenty-five per cent of its paid-up share capital.

68. Restrictions on other transactions with non-members

Save as provided in sections 66 and 67, the transaction of a multi-state cooperative society with any person other than a member, shall be subject to such prohibitions and restrictions, if any, as may be specified in the bye-laws.

69. Contributory provident fund

- (1) Subject to the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (19 of 1952), a multi-state cooperative society having such number or class of employees as may be prescribed, may establish a contributory provident fund for the benefit of its employees to which shall be credited all contributions made by the employees and the society in accordance with the bye-laws of the society.
- (2) Monies standing to the credit of any contributory provident fund established by a multi-state cooperative society under sub-section (1) shall not-
 - (a) be used in the business of the society;
 - (b) form part of the assets of the society;
 - (c) be liable to attachment or be subject to any other process of any court or other authority.

Chapter VIII

Audit, Inquiry, Inspection and Surcharge

70. Appointment and remuneration of auditors

- (1) Every multi-state cooperative society shall cause to be audited by an auditor referred to in sub-section (2), its accounts at least once in each year.

- (2) Every multi-state cooperative society shall, at each annual general meeting, appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and shall, within seven days of the appointment, give intimation thereof to every auditor so appointed.

Provided that such auditor or auditors may be appointed from a panel of auditors approved by the Central Registrar or from a panel of auditors, if any, prepared by the multi-state cooperative society.

- (3) Every auditor appointed under sub-section (1) shall, within thirty days of the receipt from the multi-state cooperative society of the intimation of his appointment, inform the Central Registrar in writing that he has accepted, or refused to accept, the appointment.
- (4) A retiring auditor shall be re-appointed unless-
 - (a) he is not qualified for re-appointment;
 - (b) he has given the multi-state cooperative society a notice in writing of his unwillingness to be re-appointed;
 - (c) a resolution has been passed at the general meeting of members appointing some body instead of him or providing expressly that he shall not be re-appointed; or
 - (d) where notice has been given of an intended resolution to appoint some person or persons in the place of a retiring auditor, and by reason of the death, incapacity or disqualification of that person or all those persons, as the case may be, the resolution cannot be proceeded with.
- (5) Where at an annual general meeting no auditors are appointed or re-appointed, the Central Registrar may appoint a person to fill the vacancy.
- (6) First auditor or auditors of a multi-state cooperative society shall be appointed by the board within one month of the date of registration of such society and the auditor or auditors so appointed shall hold office until the conclusion of the first annual general meeting:

Provided that-

- (a) the multi-state cooperative society may, at a general meeting, remove any such auditor or all or any of such auditors and appoint in his or their places any other person or persons who have been nominated for appointment by any member of the multi-state cooperative society and of whose nomination notice has been given to the members of the multi-state cooperative society not less than fourteen days before the date of the meeting; and
- (b) if the board fails to exercise its powers under this sub-section, the multi-state cooperative society in the general meeting may

appoint the first auditor or auditors.

- (7) (a) The multi-state cooperative society may fill any causal vacancy in the office of an auditor; but while any such vacancy continues, the remaining auditor or auditors, if any, may act:

Provided that where such vacancy is caused by the resignation of an auditor, the vacancy shall only be filled by the multi-state cooperative society in general meeting.

- (b) Any auditor appointed in a causal vacancy shall hold office until the conclusion of the next annual general meeting.
- (8) Any auditor appointed under this section may be removed from office before the expiry of his term by the multi-state cooperative society in general meeting.
- (9) The remuneration of the auditors of a multi-state cooperative society-
- (a) in the case of an auditor appointed by the board or the Central Registrar may be fixed by the board or the Central Registrar, as the case may be; and
- (b) subject to clause (a), shall be fixed by the multi-state cooperative society in general meeting or in such manner as the multi-state cooperative society in general meeting may determine.

Explanation- For the purposes of this sub-section, any sums paid by the multi-state cooperative society in respect of the auditors' expenses shall be deemed to be included in the expression "remuneration"

71. Provision as to resolutions for appointing or removing auditors

- (1) A special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor, or providing expressly that a retiring auditor shall not be re-appointed.
- (2) On receipt of notice of such a resolution, the multi-state cooperative society shall forthwith send a copy thereof to the retiring auditor.
- (3) Where notice is given of such a resolution and the retiring auditor makes with respect thereto representations in writing to the multi-state cooperative society (not exceeding a reasonable length) and requests their notification to members of the multi-state cooperative society, the multi-state cooperative shall, unless the representations are received by it too late for it to do so,-

- (a) in any notice of the resolution given to members of the multi-state cooperative society, state the fact of the representations having been made; and
- (b) send a copy of the representation to every member of the multi-state cooperative society to whom notice of the meeting is sent, whether before or after the receipt of the representations by the multi-state cooperative society,

and if a copy of the representations is not sent as aforesaid because they were received too late or because of the multi-state cooperative society's default, the auditor may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting.

72. Qualifications and disqualifications of auditors

- (1) A person shall not be qualified for appointment as an auditor of a multi-state cooperative society unless he is a chartered accountant within the meaning of the Chartered Accountants Act 1949 (38 of 1949).
- (2) None of the following persons shall be qualified for appointment as auditor of a multi-state cooperative society-
 - (a) a body corporate;
 - (b) an officer or employee of the multi-state cooperative society;
 - (c) a person who is a member, or who is in the employment, of an officer or employee of the multi-state cooperative society;
 - (d) a person who is indebted to the multi-state cooperative society or who has given any guarantee or provided any security in connection with the indebtedness of any third person to the multi-state cooperative society for an amount exceeding one thousand rupees.
- (3) A person shall also not be qualified for appointment as an auditor of a multi-state cooperative society if he is, by virtue of sub-section (2), disqualified for appointment as an auditor of any other body corporate or multi-state cooperative society or cooperative society.
- (4) If an auditor becomes subject, after his appointment, to any of the disqualifications specified in sub-sections (2) and (3), he shall be deemed to have vacated his office as such.

73. Powers and duties of auditors

- (1) Every auditor of a multi-state cooperative society shall have a right of access at all times to the books, accounts and vouchers of the multi-state cooperative society, whether kept at the head office of the multi-state cooperative society or elsewhere, and shall be entitled to require from the officers or other employees of the multi-

state cooperative society such information and explanations as the auditor may think necessary for the performance of his duties as an auditor.

- (2) Without prejudice to provisions of sub-section (1), the auditor shall inquire,-
 - (a) whether loans and advances made by the multi-state cooperative society on the basis of security have been properly secured and whether the terms on which they have been made are not prejudicial to the interests of the multi-state cooperative society or its members;
 - (b) whether transactions of the multi-state cooperative society which are represented merely by book entries are not prejudicial to the interests of the multi-state cooperative society;
 - (c) whether personal expenses have been charged to revenue account; and
 - (d) where it is stated in the books and papers of the multi-state cooperative society that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance-sheet is correct, regular and not misleading.
- (3) The auditor shall make a report to the members of the multi-state cooperative society on the accounts examined by him and on every balance-sheet and profit and loss account and on every other document required to be part or annexed to the balance-sheet or profit and loss account, which are laid before the multi-state cooperative society in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view-
 - (a) in the case of the balance-sheet, of the state of the multi-state cooperative society's affairs as at the end of its financial year; and
 - (b) in the case of the profit and loss account, of the profit or loss for its financial year.
- (4) The auditor's report shall also state-
 - (a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit;
 - (b) whether, in his opinion, proper books of account have been kept by the multi-state cooperative society so far as appears from his examination of those books, and proper returns

adequate for the purposes of his audit have been received from branches or offices of the multi-state cooperative society not visited by him;

- (c) whether the report on the accounts of any branch office audited by a person other than the multi-state cooperative society's auditor has been forwarded to him and how he has dealt with the same in preparing the auditor's report;
 - (d) whether the multi-state cooperative society's balance-sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.
- (5) Where any of the matters referred to in clauses (a) and (b) of sub-section (3) or in clauses (a), (b), (c) and (d) of sub-section (4) is answered in the negative or with a qualification, the auditor's report shall state the reason for the answer.

74. Signature of audit report etc

Only the person appointed as an auditor of the multi-state cooperative society shall sign the auditor's report, or sign or authenticate any other document of the multi-state cooperative society required by law to be signed or authenticated by the auditor.

75. Reading and inspection of auditor's report

The auditor's report shall be read before the multi-state cooperative society in the general meeting and shall be open to inspection by any member of the multi-state cooperative society.

76. Right of auditor to attend general meeting

All notices of, and other communications relating to, any general meeting of a multi-state cooperative society, which any member of the multi-state cooperative society is entitled to have sent to him, shall also be forwarded to the auditor of the multi-state cooperative society; and the auditor shall be entitled to attend any general meeting and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor.

77. Power of Central Government to direct special audit in certain cases

- (1) Where the Central Government is of the opinion-
 - (a) that the affairs of any multi-state cooperative society are not being managed in accordance with self-help and mutual aid and cooperative principles or prudent commercial practices; or with sound business principles; or

- (b) that any multi-state cooperative society is being managed in a manner likely to cause serious injury or damage to the interest of the trade, industry or business to which it pertains; or
- (c) that the financial position of any multi-state cooperative society is such as to endanger its solvency,

the Central Government may at any time by order direct that a special audit of the multi-state cooperative society's accounts for such period or periods as may be specified in the order, shall be conducted and may by the same or a different order appoint either a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) or the multi-state cooperative society's auditor himself to conduct with special audit:

Provided that the Central Government shall not order for special audit of a multi-state cooperative society's accounts if that Government or the State Government either by itself or both hold less than fifty-one per cent of the paid up share capital or of the shares in such multi-state cooperative society.

- (2) The chartered accountant or the multi-state cooperative society's auditor appointed under sub-section (1) to conduct a special audit as aforesaid is hereafter in this section referred to as the special auditor.
- (3) The special auditor shall have the same powers and duties in relation to the special audit as an auditor of a multi-state cooperative society has under section 73:

Provided that the special auditor shall, instead of making his report to the members of the multi-state cooperative society, make the same to the Central Government.

- (4) The report of the special auditor shall, as far as may be, include all the matters required to be included in the auditors' report under section 73 and, if the Central Government so directs, shall also include a statement on any other matter which may be referred to him by that Government.
- (5) The Central Government may by order direct any person specified in the order to furnish to the special auditor within such time as may be specified therein such information or additional information as may be required by the special auditor in connection with the special audit.
- (6) On receipt of the report of the special auditor, the Central Government may take such action on the report as it considers necessary in accordance with the provisions of this Act or any other law for the time being in force:

Provided that if the Central Government does not take any action on the report within four months from the date of its receipt, that Government shall send to the multi-state cooperative society either a copy of, or relevant extract from, the report with its comments thereon and require the multi-state cooperative society either to circulate that copy or those extracts to the members or to have such copy or extracts read before the multi-state cooperative society at its next general meeting.

- (7) The expenses of, and incidental to, any special audit under this section (including the remuneration of the special auditor) shall be determined by the Central Government which determination shall be final and paid by the multi-state cooperative society and in default of such payment, shall be recoverable from the multi-state cooperative society as an arrear of land revenue.

78. Inquiry by Central Registrar

- (1) The Central Registrar may, on a request from a federal cooperative to which a multi-state cooperative society is affiliated or a creditor or not less than one-third of the members of the board or not less than one-fifth of the total number of members of a multi-state cooperative society hold an inquiry or direct some person authorised by him by order in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a multi-state cooperative society:

Provided that no inquiry under this sub-section shall be held unless a notice of not less than fifteen days has been given to the multi-state cooperative society.

- (2) The Central Registrar or the person authorised by him under sub-section (1) shall have the following powers, namely-
 - (a) he shall at all reasonable times have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the multi-state cooperative society and may summon any person in possession or responsible for the custody of any such books, accounts documents, securities, cash or other properties to produce the same, at any place specified by him;
 - (b) he may, notwithstanding any bye-law specifying the period of notice for a general meeting of the multi-state cooperative society, require the officers of the society to call a general meeting of the society by giving notice of not less than seven days at such time and place at the headquarters of the society to consider such matters, as may be directed by him; and where the officers of the society refuse or fail to call such a meeting, he shall have power to call it himself;

- (c) he may summon any person who is reasonably believed by him to have any knowledge of the affairs of the multi-state cooperative society to appear before him at any place at the headquarters of the society or any branch thereof and may examine such person on oath.
- (3) Any meeting called under clause (b) of sub-section (2) shall have all the powers of a general meeting of the society called under the bye-laws of the society and its proceedings shall be regulated by such bye-laws.
- (4) The Central Registrar shall, within a period of three months of the date of receipt of the report, communicate the report of inquiry to the multi-state cooperative society, the financial institutions, if any, to which the society is affiliated, and to the person or authority, if any, at whose instance the inquiry is made.

79. Inspection of multi-state cooperative societies

- (1) The Central Registrar may, on a request from a federal cooperative to which a multi-state cooperative society is affiliated or a creditor or not less than one-third of the members of the board or not less than one-fifth of the total number of members of a multi-state cooperative society by general or special order in writing in this behalf, inspect or direct any person authorised by him by order in writing in this behalf to make an inspection into the constitution, working and financial condition of a multi-state cooperative society:

Provided that no inspection under this sub-section shall be made unless a notice of not less than fifteen days has been given to the multi-state cooperative society.

- (2) (a) For the purpose of inspection under sub-section (1), the Central Registrar or the person authorised by him under that sub-section shall at all times have access to all books, accounts, papers, vouchers, securities, stock and other property of that society and may, in the event of serious irregularities discovered during inspection, take them into custody and shall have power to verify the cash balance of the society and subject to the general or special order of the Central Registrar to call a meeting of the board and also a general meeting of the society where such general meeting is, in his opinion, necessary.
- (b) Every officer or member of a multi-state cooperative society shall furnish such information with regard to the working of the society as the Central Registrar or the person making such inspection may require.

- (3) A copy of the report of inspection under this section shall be communicated to the multi-state cooperative society within a period of three months from the date of completion of such inspection.

80. Inspection of books of indebted multi-state cooperative societies

- (1) The Central Registrar shall, on the application of a creditor of a multi-state cooperative society, inspect, or direct some person authorised by him by order in writing in this behalf to inspect, the books of the society:

Provided that no such inspection shall be made unless the applicant-

- (a) satisfies the Central Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time;
 - (b) deposits with the Central Registrar such sum as security for the costs of the proposed inspection as the Central Registrar may require.
- (2) The Central Registrar shall communicate the result of any such inspection to the creditor.

81. Costs of inquiry and inspection

Where an inquiry is held under section 78 or an inspection is made under section 79, the Central Registrar may apportion the costs, or such part of the costs, as he may think fit, between the multi-state cooperative society, the members or creditors demanding an inquiry or inspection, and the officers or former officers and the members or past members of that society:

Provided that-

- (a) no order of apportionment of the costs shall be made under this section unless the society or the person liable to pay the costs thereunder has had a reasonable opportunity of being heard;
- (b) the Central Registrar shall state in writing under his own hand the grounds on which the costs are apportioned.

82. Recovery of costs

Any sum awarded by way of costs under section 81 may be recovered, on application to a magistrate having jurisdiction in the place where the person, from whom the money is claimable, actually and voluntarily resides or carries on business, and such magistrate shall recover the same as if it were a fine imposed by himself.

83. Repayment, etc

- (1) If in the course of an audit, inquiry, inspection or the winding up of a multi-state cooperative society, it is found that any person, who is or was entrusted with the organisation or management of such society or who is or has at any time been an officer or an employee of the society, has made any payment contrary to this Act, or the bye-laws or has caused any deficiency in the assets of the society by breach of trust or wilful negligence or has misappropriated or fraudulently retained any money or other property belonging to such society, the Central Registrar may, of his own motion or on the application of the board, liquidator or any creditor inquire himself or direct any person authorised by him, by an order in writing in this behalf, to inquire into the conduct of such person within a period of two years from the date of the report of the audit, inspection or inquiry or the date of the order of winding up, as the case may be:

Provided that where the Central Registrar is satisfied that such inquiry could not be commenced during the period of two years aforesaid on account of fraud or concealment of facts, he may make or direct the inquiry to be made within such period not exceeding six years from the date of the report of the audit, inspection or inquiry or the date of the order of winding up, as he thinks fit.

- (2) Where an inquiry is made under sub-section (1), the Central Registrar may, after giving the person concerned a reasonable opportunity of being heard, make an order requiring him to repay to restore the money or property or any part thereof, with interest at such rate, or to pay contribution and costs or compensation to such extent, as the Central Registrar may consider just and equitable.

Chapter IX

Settlement of Disputes

84. Reference of disputes

- (1) Notwithstanding anything contained in any other law for the time being in force, if any dispute [other than a dispute regarding disciplinary action taken by a multi-state cooperative society against its paid employee or an industrial dispute as defined in clause (k) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947)] touching the constitution, management or business of a multi-state cooperative society arises-
 - (a) among members, past members and persons claiming through members, past members and deceased members, or
 - (b) between a member, past members and persons claiming through a member, past member or deceased member and the

multi-state cooperative society, its board or any officer, agent or employee of the multi-state cooperative society or liquidator, past or present, or

- (c) between the multi-state cooperative society or its board and any past board, any officer, agent or employee, or any past officer, past agent or past employee, heirs or legal representatives of any deceased officer, deceased agent or deceased employee of the multi-state cooperative society, or
- (d) between the multi-state cooperative society and any other multi-state cooperative society, between a multi-state cooperative society and liquidator of another multi-state cooperative society or between the liquidator of one multi-state cooperative society and the liquidator of another multi-state cooperative society,

such dispute shall be referred to arbitration.

- (2) For the purposes of sub-section (1), the following shall be deemed to be disputes touching the constitution, management or business of a multi-state cooperative society, namely:-
 - (a) a claim by the multi-state cooperative society for any debt or demand due to it from a member or the nominee, heirs or legal representatives of a deceased member, whether such debt or demand be admitted or not;
 - (b) a claim by a surety against the principal debtor where the multi-state cooperative society has recovered from the surety any amount in respect of any debt or demand due to it from the principal debtor as a result of the default of the principal debtor, whether such debt or demand is admitted or not;
 - (c) any dispute arising in connection with the election of any officer of a multi-state cooperative society.
- (3) If any question arises whether a dispute referred to arbitration under this section is or is not a dispute touching the constitution, management or business of a multi-state cooperative society, the decision thereon of the arbitrator shall be final and shall not be called in question in any court.
- (4) Where a dispute has been referred to arbitration under sub-section (1), the same shall be settled or decided by the arbitrator to be appointed by the Central Registrar.
- (5) Save as otherwise provided under this Act, the provisions of the Arbitration and Conciliation Act, 1996 (26 of 1996) shall apply to all arbitration under this Act as if the proceedings for arbitration were referred for settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

85. Limitation

- (1) Notwithstanding anything contained in the Limitation Act, 1963, but subject to the specific provisions made in this Act, the period of limitation in the case of a dispute referred to arbitration shall,-
 - (a) when the dispute relates to the recovery of any sum including interest thereon due to a multi-state cooperative society by a member thereof, be computed from the date on which such member dies or ceases to be a member of the society;
 - (b) save as otherwise provided in clause (c), when the dispute relates to any act or omission on the part of any of the parties referred to in clause (b) or clause (c) or clause (d) of sub-section (1) of section 84, be six years from the date on which the act or omission, with reference to which the dispute arose, took place;
 - (c) when the dispute is in respect of an election of an officer of a multi-state cooperative society, be one month from the date of the declaration of the result of the election.
- (2) The period of limitation in the case of any dispute, except those mentioned in sub-section (1), which are required to be referred to arbitration shall be regulated by the provisions of the Limitation Act, 1963 (36 of 1963), as if the dispute were a suit and the arbitrator a civil court.
- (3) Notwithstanding anything contained in sub-sections (1) and (2), the arbitrator may admit a dispute after the expiry of the period of limitation, if the applicant satisfies the arbitrator that he had sufficient cause for not referring the dispute within such period.

Chapter X

Winding up of Multi-State Cooperative Society

86. Winding up of multi-state cooperative societies

- (1) If the Central Registrar, after audit has been conducted under section 70 or special audit has been conducted under section 77 or an inquiry has been held under section 78 or an inspection has been made under section 79, is of opinion that the society ought to be wound up, he may, after giving the society a reasonable opportunity of making its representations by order, direct it to be wound up.
- (2) The Central Registrar may, of his own motion and after giving the multi-state cooperative society a reasonable opportunity of making its representation, make an order directing the winding up of the multi-state cooperative society,-

- (a) where it is a condition of the registration of the society that the society shall consist of at least fifty members and the number of members has been reduced to less than fifty; or
 - (b) where the multi-state cooperative society has not commenced working within a period of six months of the date of its registration or such extended period as the Central Registrar may allow in this behalf or has ceased to function in accordance with cooperative principles.
- (3) The Central Registrar may cancel an order for the winding up of a multi-state cooperative society, at any time, in any case where, in his opinion, the society should continue to exist.
 - (4) A copy of such order shall be communicated by registered post to the multi-state cooperative society and to the financial institutions, if any, of which the society is a member.
 - (5) Notwithstanding anything contained in this section, no cooperative bank shall be wound up except with the previous sanction, in writing of the Reserve Bank.
 - (6) Notwithstanding anything contained in this section, the Central Registrar shall make an order for the winding up of a multi-state cooperative society, if the society, by a resolution passed by two-third majority of members present and voting in a general meeting decides for winding up of that society.

87. Winding up of cooperative bank at the direction of Reserve Bank

Notwithstanding anything to the contrary contained elsewhere in this Act, the Central Registrar shall make an order for the winding up of a cooperative bank, if so required by the Reserve Bank in the circumstances mentioned in section 13D of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (47 of 1961).

88. Reimbursement to the Deposit Insurance Corporation by liquidator

Where a cooperative bank, being an insured bank within the meaning of the Deposit Insurance and Credit Guarantee Corporation Act, 1961, is wound up and the Deposit Insurance Corporation has become liable to the depositors of the insured bank under sub-section (1) of section 16 of that Act, the Deposit Insurance Corporation shall be reimbursed by the liquidator or such other person in the circumstances, to the extent and in the manner provided in section 21 of that Act.

89. Liquidator

- (1) Where the Central Registrar has made an order under section 86 for the winding up of multi-state cooperative society, the Central

Registrar may appoint a liquidator for the purpose and fix his remuneration.

- (2) A liquidator shall, on appointment, take into his custody or under his control all the property, effects and actionable claims to which the multi-state cooperative society is or appears to be entitled and shall take such steps as he may deem necessary or expedient to prevent loss or deterioration of, or damage to, such property, effects and claims and he may carry on the business of the multi-state cooperative society so far as may be necessary with the previous approval of the Central Registrar.
- (3) Where an appeal is preferred under clause (f) of sub-section (1) of section 99, an order for the winding up of a multi-state cooperative society made under section 86 shall not operate thereafter until the order is confirmed in appeal:

Provided that the liquidator shall continue to have custody or control of the property, effects and actionable claims mentioned in sub-section (2) and have authority to take the steps referred to in that sub-section.

- (4) Where an order for the winding up of a multi-state cooperative society is set aside in appeal, the property, effects and actionable claims of the society shall re-vest in the society.

90. Powers of liquidator

- (1) Subject to any rules made in this behalf, the whole of the assets of a multi-state cooperative society in respect of which an order for winding up has been made, shall vest in the liquidator appointed under section 89 from the date on which the order takes effect and the liquidator shall have power to realise such assets by sale or otherwise.
- (2) Such liquidator shall also have power, subject to the control of the Central Registrar-
 - (a) to institute and defend suits and other legal proceedings on behalf of the multi-state cooperative society by the name of his office;
 - (b) to determine from time to time the contribution (including debts due and costs of liquidation) to be made or remaining to be made by the members or past members or by the estates or nominees, heirs or legal representatives of the deceased members or by an officers or former officers, to the assets of the multi-state cooperative society;

- (c) to investigate all claims against the multi-state cooperative society and subject to the provisions of this Act, to decide questions of priority arising between claimants;
 - (d) to pay claims against the multi-state cooperative society, including interest up to the date of winding up according to their respective priorities, if any, in full or rateably, as the assets of the society may permit; and the surplus, if any, remaining after payment of the claims being applied in payment of interest from the date of such order or winding up at a rate fixed by him but not exceeding the contract rate in any case;
 - (e) to determine by what persons and in what proportions the costs of the liquidation are to be borne;
 - (f) to determine whether any person is a member, past member or nominee of a deceased member;
 - (g) to give such directions in regard to the collection and distribution of the assets of the multi-state cooperative society as may appear to him to be necessary for winding up the affairs of that society;
 - (h) to carry on the business of the multi-state cooperative society so far as may be necessary for the beneficial winding up of the same;
 - (i) to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging to have any claim, present or future, whereby the multi-state cooperative society may be rendered liable;
 - (j) to make any compromise or arrangement with any person between whom and the multi-state cooperative society there exists any dispute and to refer any such dispute for decision;
 - (k) after consulting the members of the multi-state cooperative society, to dispose of the surplus, if any, remaining after paying the claims against the society, in such manner as may be prescribed.
 - (l) to compromise all calls or liabilities to calls and debts and liabilities capable of resulting in debts, and all claims, present or future, certain or contingent, subsisting or alleged to be subsisting between the multi-state cooperative society and a contributory or other debtor or person apprehending liability to the multi-state cooperative society and all questions in any way relating to or affecting the assets or the winding up of the society on such terms as may be agreed and take any security for the discharge of any such call, liability, debt or claim and give a complete discharge in respect thereof.
- (3) When the affairs of a multi-state cooperative society have been wound up, the liquidator shall make a report to the Central Registrar and deposit the records of the society in such place as the Central Registrar may direct.

91. Disposal of surplus assets

The surplus assets, as shown in the report of a liquidator of a multi-state cooperative society which is wound up-

- (a) may, if the bye-laws of the multi-state cooperative society specify the purpose for which surplus shall be utilised, be utilised by the Central Registrar for the said purpose, and
- (b) if the bye-laws aforesaid do not specify the purpose, be divided by the Central Registrar with the previous sanction of the Central Government, amongst the members of such multi state cooperative society in such manner as may be prescribed.

92. Priority of contributions assessed by liquidator

Notwithstanding anything contained in any law relating to insolvency, the contribution assessed by a liquidator shall rank next to debts due to the Central Government or a State Government or a local authority in accordance with the order of priority in insolvency proceedings.

93. Power of Central Registrar to cancel registration of a multi-state cooperative society

- (1) The Central Registrar may, after considering the report of the liquidator made to him under sub-section (3) of section 90, order the registration of the multi state cooperative society to be cancelled and on such cancellation, that society shall stand dissolved.
- (2) An order passed under sub-section (1) shall be communicated by registered post to the president or the chairperson as the case may be, of the multi-state cooperative society and to the financial institutions, if any, of which the society was a member.

Chapter XI

Execution of Decrees, Orders and Decisions

94. Execution of decisions, etc

Every decision or order made under section 39 or section 40 or section 83 or section 99 or section 101 shall, if not carried out,-

- (a) on a certificate signed by the Central Registrar or any person authorised by him in writing in this behalf, be deemed to be a decree of a civil court and shall be executed in the same manner as if it were a decree of such court and such decree shall be executed by the Central Registrar or any person authorised by him or it in writing in this behalf, by attachment and sale or sale without attachment of any property of the person or a multi-state

- cooperative society against whom the decision or order has been made; or
- (b) where the decision or order provides for the recovery of money, by executed according to law for the time being in force for the recovery of arrears of land revenue:

Provided that any application for the recovery of any sum shall be made in such manner-

- (i) to the Collector and shall be accompanied by a certificate signed by the Central Registrar or by any person authorised by him or it in writing in this behalf;
- (ii) within twelve years from the date fixed in the decision or order and if no such date is fixed, from the date of decision or order, as the case may be; or
- (c) be executed by the Central Registrar or any person authorised by him in writing in this behalf, by attachment and sale or sale without attachment of any property of the person or a multi-state cooperative society against whom the decision or order has been made.

95. Execution of orders of liquidators

Every order made by the liquidator under section 90 shall be executed according to the law for the time being in force for the recovery of arrears of land revenue.

96. Attachment before award

- (1) Where the arbitrator is satisfied that a party to any reference made to him under section 84 with intent to defeat or delay the execution of any decision that may be passed thereon is about to-
- (a) dispose of the whole or any part of the property; or
- (b) remove the whole or any part of the property from its existing precincts,

the arbitrator may, unless adequate security is furnished, direct conditional attachment of the said property or such part thereof as its deems necessary.

- (2) The attachment under sub-section (1) shall be executed by a civil court having jurisdiction in the same way as an attachment order passed by itself and shall have the same effect as such order.

97. Central Registrar or arbitrator or person authorised to be civil court for certain purposes

The Central Registrar or the arbitrator or any person authorised by him in writing in this behalf shall be deemed, when exercising any powers under this Act for the recovery of any amount by the attachment and sale or by sale without attachment of any property, or when passing any orders or any application made to him for such recovery, or for taking a step-in-aid of such recovery, to be a civil court for the purposes of article 136 of the Schedule to the Limitation Act, 1963 (36 of 1963).

98. Recovery of sums due to Government

- (1) All sums due from a multi-state cooperative society, or from an officer or member or past member of a multi-state cooperative society, to the Central Government or a State Government, including any cost awarded to the Central Government or the State Government, as the case may be, under any provision of this Act, may, on a certificate issued by the Central Registrar in this behalf, be recovered in the same manner as arrears of land revenue as first charge on the assets of such society or officer or member, as the case may be.
- (2) Sums due from a multi-state cooperative society to the Central Government or a State Government and recoverable under sub-section (1) may be recovered firstly from the property of the society and secondly from the members, past members or the estates of deceased members, subject to the limit of their liability:

Provided that the liability of past members and the estate of deceased members shall in all cases be subject to the provisions of section 37.

Chapter XII

Appeals and Review

99. Appeals

- (1) Subject to the provisions of section 100, an appeal shall lie under this section against-
 - (a) an order made by the Central Registrar under sub-section (3) of section 7 refusing to register a multi-state cooperative society;
 - (b) an order made by the Central Registrar under sub-section (9) of section 11 refusing to register an amendment of the bye-laws of a multi-state cooperative society;

- (c) a decision of a multi-state cooperative society refusing or deemed to be refusing under sub-section (4) of section 25 to admit any person as a member of the society who is otherwise duly qualified for membership under the bye-laws of the society;
 - (d) an order made by the Central Registrar under section 81 apportioning the costs of an inquiry held under section 78 or an inspection made under section 80;
 - (e) an order made by the Central Registrar under sub-section (2) of section 83;
 - (f) an order made by the Central Registrar under section 86 directing the winding up of a multi-state cooperative society;
 - (g) an order made by the liquidator of a multi-state cooperative society under section 90.
- (2) An appeal against any decision or order under sub-section (1) shall be made within sixty days from the date of such decision or order to the prescribed appellate authority.
- (3) The appellate authority may, if satisfied that the appellant was prevented by sufficient cause from preferring the appeal within the period of sixty days, admit the appeal within such further period as that authority may deem fit.
- (4) In disposing of an appeal under this section, the appellate authority may, after giving the parties a reasonable opportunity of making their representation, pass such order thereon as that authority may deem fit.
- (5) The decision or order of the appellate authority on appeal shall be final.

100. No appeal in certain cases

Notwithstanding anything contained in this Act, where, with the previous sanction in writing of, or on requisition by, the Reserve Bank, a cooperative bank-

- (a) is being wound up; or
- (b) in respect of which a scheme of amalgamation or reorganisation is given effect to,

no appeal there against shall lie or be permissible, and the sanction or requisition of the Reserve Bank shall not be liable to be called in question

101. Review

- (1) The appellate authority referred to under section 99, may, on the application of any party, review its own order in any case and pass in reference thereto such orders as it thinks fit:

Provided that no such application shall be entertained unless the appellate authority is satisfied that there has been a discovery of new and important matter or evidence which after exercise of due diligence was not within the knowledge of the applicant or could not be produced by him at the time when the order was made or that there has been some mistake or error apparent on the face of the record or for any other sufficient reason:

Provided further that no such order shall be made under this sub-section unless notice has been given to all interested parties and they have been afforded a reasonable opportunity of being heard.

- (2) An application for review under sub-section (1) by any party shall be made within thirty days from the date of communication of the order of the appellate authority sought to be reviewed.

102. Interlocutory orders

Where an appeal is made under section 99, the appellate authority may in order to prevent the ends of justice being defeated, make such interlocutory orders, including an order of stay pending the decision of the appeal as such authority may deem fit.

Chapter XIII

Societies which become Multi-State Cooperative Societies Consequent on Reorganisation of States

103. Cooperative societies functioning immediately before reorganisation of states

- (1) Where, by virtue of the provisions of Part II of the State Reorganisation Act, 1956 (37 of 1956) or any other enactment relating to reorganisation of states, any cooperative society which immediately before the day on which the reorganisation takes place, had its objects confined to one state becomes, as from that day, a multi-state cooperative society, it shall be deemed to be a multi-state cooperative society registered under the corresponding provisions of this Act and the bye-laws of such society shall, in so far as they are not inconsistent with the provisions of this Act, continue to be in force until altered or rescinded.
- (2) If it appears to the Central Registrar or any officer authorised in this behalf by the Central Government (hereafter in this section referred to as the authorised officer) that it is necessary or expedient to reconstitute or reorganise any society referred to in sub-section (1), the Central Registrar or the authorised officer, as the case may be, may, with the previous approval of the Central Government, places

before a meeting of the general body of that society, held in such manner as may be prescribed, a scheme for the reconstitution or reorganisation, including proposals regarding-

- (a) the formation of new multi-state cooperative societies and the transfer thereto in whole or in part, of the assets and liabilities of that society; or
 - (b) the transfer, in whole or in part, of the assets and liabilities of that society to any other multi-state cooperative society in existence immediately before the date of that meeting of the general body (hereafter in this section referred to as the existing multi-state cooperative society).
- (3) If the scheme is sanctioned by a resolution passed by a majority of the members present at the said meeting, either without modifications or with modifications to which the Central Registrar or the authorised officer agrees, he shall certify the scheme and upon such certification, the scheme shall, notwithstanding anything to the contrary contained in any law, regulation or bye-laws for the time being in force, be binding on all the societies affected by the scheme, as well as the shareholders and creditors of all such societies.
- (4) If the scheme is not sanctioned under sub-section (3), the Central Registrar or the authorised officer may refer the scheme to such judge of the appropriate High Court, as may be nominated in this behalf by the Chief Justice thereof, and the decision of that judge in regard to the scheme shall be final and shall be binding on all the societies affected by the scheme as well as the shareholders and creditors of all such societies.

Explanation-For the purposes of this sub-section, "appropriate High Court" means the High Court within the local limits of whose jurisdiction the principal place of business of the multi-state cooperative society is situated.

- (5) Notwithstanding anything contained in this section, where a scheme under sub-section (2) includes any proposal regarding the transfer of the assets and liabilities of any multi-state cooperative society referred to in clause (b) thereof, the scheme shall not be binding on such multi-state cooperative society or the shareholders and creditors thereof, unless the proposal regarding such transfer is accepted by that multi-state cooperative society by a resolution passed by a majority of the members present at a meeting of its general body.

Chapter XIV

Offences and Penalties

104. Offences and penalties

- (1) A multi-state cooperative society or an officer or member thereof wilfully making a false return or furnishing false information, or any person wilfully or without any reasonable excuse disobeying any summons, requisition or lawful written order issued under the provisions of this Act, or wilfully not furnishing any information required from him by a person authorised in this behalf under the provisions of this Act, shall be punishable with fine which shall not be less than two thousand rupees and which may extend to ten thousand rupees.
- (2) Any employer who, without sufficient cause, fails to pay to a multi-state cooperative society the amount deducted by him under section 60 within a period of fourteen days from the date on which such deduction is made shall, without prejudice to any action that may be taken against him under any other law for the time being in force, be punishable with fine which may extend to five thousand rupees.
- (3) Any officer or custodian who wilfully fails to hand over custody of books, accounts, documents, records, cash, security and other property belonging to a multi-state cooperative society of which he is an officer or custodian, to a person entitled under section 54, or section 70, or section 78, or section 79, or section 89 shall be punishable with fine which may extend to two thousand rupees and in the case of a continuing breach, with a further fine which may extend to five thousand rupees for every day during which the breach is continued after conviction for the first such breach.
- (4) Whoever, before, during or after the election of delegates under the proviso to sub-section (1) of section 38 or election of members of the board,-
 - (a) fraudulently defaces or fraudulently destroys any nomination paper; or
 - (b) fraudulently defaces, destroys or removes any list, notice or other document affixed by or under the authority of a returning officer; or
 - (c) fraudulently defaces or fraudulently destroys any ballot paper or the official mark on any ballot paper or any declaration of identity; or
 - (d) without due authority supplies any ballot paper to any person or received any ballot paper from any person or is in possession of any ballot papers; or

- (e) fraudulently puts into any ballot box anything other than the ballot paper which he is authorised by law to put in; or
- (f) without due authority destroys, takes, opens or otherwise interferes, with any ballot box or ballot papers then in use for the purposes of the election; or
- (g) fraudulently or without due authority, as the case may be, attempts to do any of the foregoing acts or wilfully aids or abets the doing of any such acts;
- (h) offers any gift or promises to offer any gratification to any person with the object, directly or indirectly, of including-
 - (i) a person to stand or not to stand as, or to withdraw or not to withdraw from, being a candidate at an election; or
 - (ii) a member to vote or refrain from voting at an election, or as a reward to a person for having so stood or not stood or for having withdrawn or not having withdrawn his candidature; or
 - (iii) a member for having voted or refrained from voting,

shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.

105. Cognizance of offences

- (1) No court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try any offence under this Act.
- (2) No prosecution for offences under section 104 shall be instituted except on a complaint filed in writing by a member of a multi-state cooperative society or by the Central Registrar in the competent court.

Chapter XV

Miscellaneous

106. Copies of bye-laws, etc, to be open to inspection

Every multi-state cooperative society shall keep a copy of the rules and its bye-laws and also a list of its members open to inspection free of charge at all reasonable times, at the registered address of the society.

107. Place of keeping and inspection of, registers and returns

- (1) The register of members commencing from the date of the registration of multi-state cooperative society, the index of members, the register of debenture holders, and copies of all annual returns prepared together with the copies of certificates and documents, shall be kept at the registered office of the multi-state

cooperative society.

- (2) The registers, indexes, returns and copies of certificates and other documents referred to in sub-section (1) shall be open during business hours (subject to such reasonable restrictions, as the multi-state cooperative society may impose, so that not less than two hours in each day are allowed for inspection) to the inspection-
 - (a) of any member or debenture holder, without fee; and
 - (b) of any other person, on payment of such sum as may be prescribed for each inspection.

108. Inspection of books of account, etc., of multi-state cooperative society

- (1) The books of account and other books and papers of every multi-state cooperative society shall be open to inspection during business hours-
 - (i) by the Central Registrar, or
 - (ii) by such officer of the Government as may be authorised by the Central Government in this behalf:

Provided that such inspection may be made without giving any previous notice to that society or any officer thereof;

- (iii) by the members of the multi-state cooperative society.
- (2) It shall be the duty of every director, other officer or employee of the multi-state cooperative society to produce to the person making inspection under sub-section (1), all such books of account and other books and papers of the multi-state cooperative society in his custody or control and to furnish him with any statement, information or explanation relating to the affairs of such society as the said person may require of him within such time and at such place as he may specify.
- (3) It shall also be the duty of every director, other officer or employee of the multi-state cooperative society to give to the person making inspection under this section all assistance in connection with the inspection which the multi-state cooperative society may be reasonably expected to give.
- (4) The person making the inspection under this section may, during the course of inspection,-
 - (j) make or cause to be made copies of books of account and other books and papers; or

- (ii) place or cause to be placed any marks or identification thereon in token of the inspection having been made.
- (5) Notwithstanding anything contained in any other law for the time being in force or any contract to the contrary, the Central Registrar or an officer authorised under clause (ii) of sub-section (1), making an inspection under this section shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit, in respect of the following matters, namely-
- (i) the discovery and production of books of account and other documents, at such place and such time as may be specified by such person;
 - (ii) summoning and enforcing the attendance of persons and examining them on oath;
 - (iii) inspection of any books, register and other documents of the multi-state cooperative society at any place.
- (6) Where an inspection of the books of account and other books and papers of the multi-state cooperative society has been made under this section, the Central Registrar or an officer authorised under clause (ii) of sub-section (1), making the inspection shall make a report to the Central Government

109 Annual accounts and balance sheet

At every annual general meeting of a multi-state cooperative society, the board shall lay before the multi-state cooperative society-

- (a) a balance-sheet as at the end of every cooperative year; and
- (b) a profit and loss account for that year.

110. Minutes of proceedings of general meetings and of board and other meetings

- (1) Every multi-state cooperative society shall cause minutes of all proceedings of every general meeting and of all proceedings of every meeting of its board or of every committee of the board, to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- (2) Each page of every such book shall be initiated or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed-
 - (a) in the case of minutes of proceedings of a meeting of the board or of a committee thereof, by the chairperson of the said meeting or the chairperson of the next succeeding meeting;

- (b) in the case of minutes of proceedings of a general meeting, by the chairperson of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that chairperson within that period, by a member of the board duly authorised by the board for the purpose.
- (3) In no case the minutes of proceedings of a meeting shall be attached to any such books as aforesaid by pasting or otherwise.
- (4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (5) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (6) In the case of a meeting of the board or of a committee of the board, the minutes shall also contain-
 - (a) the names of the members of the board present at the meeting; and
 - (b) in the case of each resolution passed at the meeting, the names of the members of the board, if any, dissenting from, or not concurring in, the resolution.
- (7) Nothing contained in sub-section (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the chairperson of the meeting-
 - (a) is, or could reasonably be regarded as, defamatory of any person;
 - (b) is irrelevant or immaterial to the proceedings; or
 - (c) is detrimental to the interests of the multi-state cooperative society.

Explanation- The chairperson shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-section.

111. Minutes to be evidence

Minutes of meetings kept in accordance with the provision of section 110 shall be evidence of the proceedings recorded therein.

112. Presumptions to be drawn where minutes duly and signed

Where minutes of the proceedings of any general meeting of the multi-state cooperative society or of any meeting its board or a committee of the board have been kept in accordance with the provisions of section 110 then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly

taken place, and in particular, all appointments of directors or liquidators made at the meeting shall be deemed to be valid.

113. Inspection of minutes book of general meetings

The books containing the minutes of the proceedings of any general meeting or a multi-state cooperative society shall-

- (a) be kept at the registered office of that society, and
- (b) be open, during business hours, to the inspection of any member of that society.

114. Liquidator to be public servant

Any person appointed as liquidator under the provisions of this Act shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code (45 of 1860).

115. Notice necessary in suits

No suit shall be instituted against a multi-state cooperative society or any of its officers in respect of any act touching the constitution, management or the business of the society until the expiration of ninety days next after notice in writing has been delivered to the Central Registrar or left at his office, stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims, and the plaint shall contain a statement that such notice has been so delivered or left.

116. Power to amend Second Schedule

- (1) If the Central Government is satisfied that any multi-state cooperative society should be designate as a national cooperative society or any national cooperative society specified in the Second Schedule should be omitted from the said Schedule, it may, by notification, amend the said Schedule so at to include therein such multi-state cooperative society or exclude therefrom such national cooperative society, and thereupon the said Schedule shall be deemed to have been amended accordingly.
- (2) A copy of every notification under sub-section (1) shall be laid before each House of Parliament as soon as may be after it is made.

117. Bar of jurisdiction of courts

- (1) Save as otherwise provided in this Act, no court shall have jurisdiction in respect of-
 - (a) the registration of a multi-state cooperative society or its bye-laws or of an amendment of the bye-laws;

- (b) any matter concerning the winding up and the dissolution of a multi-state cooperative society.
- (2) While a multi-state cooperative society is being wound up, no suit or other legal proceedings relating to the business of such society shall be proceeded with or instituted against the liquidator or against the society or any member thereof, except by leave of the Central Registrar and subject to such terms and conditions as he may impose.
- (3) Save as otherwise provided in this Act, no decision or order made under this Act shall be questioned in any court.

118. Indemnity

No suit, prosecution or other legal proceedings shall be against the Central Registrar or, any person subordinate to him or acting on his authority or against any other person, in respect of anything in good faith done or purporting to have been done under this Act.

119. Opening of branches

Notwithstanding anything contained to the contrary in any law relating to cooperative societies in force in a state, a multi-state cooperative society, not being a cooperative bank, may open branches or places of business in any place in India.

120. Filing of returns

Every year within six months of the closure of the accounting year every multi-state cooperative society shall file the following returns with the Central Registrar, namely-

- (a) annual report of the activities
- (b) audited statements of accounts;
- (c) plan for surplus disposal as approved by the general body;
- (d) list of amendments to the bye-laws of the multi-state cooperative society;
- (e) declaration regarding date of holding of general body meeting and conduct of elections where due;
- (f) any other information required by the Central Registrar in pursuance of any of the provisions of this Act.

121. Certain Acts not to apply

- (1) The provisions of the Companies Act, 1956 (1 of 1956) and the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) shall not apply to the multi-state cooperative societies

- (2) The multi-state Cooperative societies registered or deemed to be registered under the provisions of this Act shall not indulge in monopolistic and restrictive trade practices as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

122. Central Government's power to give directions to specified multi-state cooperative societies in public interest

If the Central Government is satisfied that in the public interest or for the purposes of securing proper implementation of cooperative production and other developmental programmes approved or undertaken by the Central Government or to secure proper management of the business of the specified multi-state cooperative societies generally or for preventing the affairs of such society being conducted in a manner detrimental to the interests of the members, any depositors or creditors thereof, it is necessary to issue directions to any class of specified multi-state cooperative societies generally or to any specified multi-state cooperative society or societies in particular, the Central Government may issue directions to it or to them, from time to time, and all such specified multi-state cooperative society or the societies concerned, as the case may be, shall be bound to comply with such directions.

123. Supersession of board of specified multi-state cooperative society

- (1) If in the opinion of the Central Government, the board of any specified multi-state cooperative society is persistently making default or is negligent in the performance of the duties imposed on it by this Act or the rules or the bye-laws or has committed any act which is prejudicial to the interests of the society or its members, or has omitted or failed to comply with any directions given to it under section 122 in public interest or that there is a statement in the constitution or functions of the board, the Central Government may, after giving the board an opportunity to state its objections, if any, and considering the objections, if received, by order in writing, remove the board and appoint one or more administrators, who need not be members of the society, to manage the affairs of the society for such period not exceeding six months, as may be specified in the order which period may, at the discretion of the Central Government, be extended from time to time, so, however, that the aggregate period does not exceed one year.

Provided that in the case of a cooperative bank, the provisions of this sub-section shall have effect as if for the words "one year", the words "two years" had been substituted.

- (2) The Central Government may fix such remuneration for the administrators, as he may think fit and the remuneration shall be paid out of the funds of the specified multi-state cooperative society.

- (3) The administrator shall, subject to the control of the Central Government and to such instructions as it may from time to time give, have power to exercise all or any of the functions of the board or of any officer of the specified multi-state cooperative society and take all such actions as may be required in the interests of the society.
- (4) Save as otherwise provided in sub-section (5), the administrator shall, before the expiry of his term of office, arrange for the constitution of a new board in accordance with the bye-laws of the specified multi-state cooperative society.
- (5) If, at any time during the period the administrator is in office, the Central Government considers it necessary or expedient so to do, it may, by order in writing giving reasons therefor, direct the administrator to arrange for the constitution of a new board for such specified multi-state cooperative society in accordance with the bye-laws of such society and immediately on the constitution of such board, the administrator shall hand over the management of such society to such newly constituted board and cease to function.
- (6) Where a specified multi-state cooperative society is indebted to any financial institution, the Central Government shall, before taking any action, under sub-section (1) in respect of that society, consult the financial institution.

Explanation.- For the purposes of sections 122 and 123, "specified multi-state cooperative society" means any multi-state cooperative society in which not less than fifty-one per cent, of the paid-up share capital or of total shares, is held by the Central Government.

124. Power to make rules

- (1) The Central Government may, by notification, make rules to carry out the provisions of this Act.
- (2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-
 - (a) the form to be used, the particulars to be given and the conditions to be complied with in the making of applications under section 6 for the registration of a multi-state cooperative society and the procedure in the matter of such applications;
 - (b) the matters in respect of which a multi-state cooperative society may make bye-laws under sub-section (2) of section 10;
 - (c) the manner in which the order of refusal to register any amendment of the bye-laws shall be communicated under sub-section (9) of section 11;

- (d) the manner in which a multi-state cooperative society shall have a principal place of business and registered address under section 14;
- (e) the procedure and conditions for change in the extent of the liability of a multi-state cooperative society under section 16;
- (f) the manner in which order of refusal to register an amendment of bye-laws shall be communicated under sub-section (4) of section 22;
- (g) the classification of federal cooperative and other terms and conditions applicable to in under sub-section (3) of section 23;
- (h) the restriction on holding the share capital of the society other than a member referred to in section 33;
- (i) the constitution and powers of smaller body representing the general body under the proviso to sub-section (1) of section 38;
- (j) the period within which annual general meeting be called and the procedure at such meetings and the powers to be exercised by such meeting under section 39;
- (k) the election of members of the board under sub-section (2) of section 45 through secret ballot;
- (l) the nomination of members under the second proviso to sub-section (1) of section 48;
- (m) the additional measures and acts which may be taken or, as the case may be, done by the board under section 49;
- (n) the salary and allowances payable to and other terms and conditions of the Chief Executive under sub-section (3) of section 51;
- (o) the conditions subject to which the board may constitute an Executive Committee and other committees or sub-section (1) of section 53;
- (p) the persons by whom and the form in which copies of entries in books of multi-state cooperative societies may be certified under section 58 and the charges to be levied for the supply of such copies;
- (q) providing aid to multi-state cooperative societies on certain terms and conditions under clause (g) of section 61;
- (r) the conditions under which profits may be distributed to the members of a multi-state cooperative society and the maximum rate of dividend which may be paid by the multi-state cooperative societies under section 63;
- (s) establishment of contributory provident fund under sub-section (1) of section 69;
- (t) the manner of disposing of the surplus under clause (k) of sub-section (2) of section 90;
- (u) the manner in which surplus assets be divided by the Central Registrar with the previous sanction of the Central Government under clause (b) of section 91;
- (v) the appellate authority to be specified under sub-section (2) of section 99;

- (w) the procedure under section 103 for reconstitution and reorganisation of societies which became the multi-state cooperative societies consequent on reorganisation of states;
 - (x) the inspection of records of the society on payment of fees under clause (b) of sub-section (2) of section 107;
 - (y) any other matter which is to be or may be prescribed;
- (3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

125. Power to remove difficulties

- (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty.

Provided that no order shall be made under this section after the expiry of two years from the commencement of this Act.

- (2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

126. Repeal and saving

- (1) The Multi-State Cooperative Societies Act, 1984 (51 of 1984) is hereby repealed.
- (2) Without prejudice to the provisions contained in the General Clauses Act, 1897 (10 of 1897) with respect to repeals, any notifications, rule, order, requirement, registration, certificate, notice, decision, direction, approval, authorisation, consent, application, request or thing made, issued given or done under the Multi-State Cooperative Societies Act, 1984 (51 of 1984) shall, if in force at the commencement of this Act, continue to be in force and have effect as if made, issued given or done under the corresponding provisions of this Act.
- (3) Every multi-state cooperative society existing immediately before the commencement of this Act which has been registered under the Cooperative Societies Act, 1912 (2 of 1912) or under any other Act relating to cooperative societies in force, in any State or in

pursuance of the provisions of the Multi-unit Cooperative Societies Act, 1942 (6 of 1942), or the Multi-State Cooperative Societies Act, 1984 (51 of 1984) shall be deemed to be registered under the corresponding provisions of this Act, and the bye-laws of such society shall, in so far as they are not inconsistent with the provisions of this Act, or the rules, continue to be in force until altered or rescinded.

- (4) All appointments, rules and orders made, all notifications and notices issued and all suits and other proceedings instituted under any of the Acts referred to in sub-section (1) shall, in so far as they are not inconsistent with the provisions of this Act, be deemed to have been respectively made, issued and instituted under this Act, save that an order made cancelling the registration of a multi-state cooperative society shall be deemed, unless the society has already been finally liquidated, to be an order made under section 86 for its being wound up.
- (5) The provisions of this Act shall apply to-
 - (a) any application for registration of a multi-state cooperative society;
 - (b) any application for registration of amendment of bye-laws of a multi-state cooperative society,

pending at the commencement of this Act and to the proceedings consequent thereon and to any registration granted in pursuance thereof.

- (6) Save as otherwise provided in this Act, any legal proceeding pending in any court or before the Central Registrar or any other authority at the commencement of this Act shall be continued to be in that court or before the Central Registrar or that authority if this Act had not been passed.

The First Schedule

[See section 3(g)]

Cooperative Principles

1. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons capable of using their services and willing to accept the responsibilities of membership, without discrimination on bases of gender, social inequality, racial, political ideologies or religious consideration.

2. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these cooperatives are responsible and accountable to their members.

3. Member's Economic Participation

Members contribute equitable and control the capital of their cooperative democratically. At least a part of the surplus arising out of the economic results would be the common property of the cooperatives. The remaining surplus could be utilised benefiting the members in proportion to their share in the cooperative.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If cooperatives enter into agreement with other organisations including Government or raise capital from external sources, they do so on terms that ensure their democratic control by members and maintenance of cooperative autonomy.

5. Education, Training and Information

Cooperative provide education and training to their members, elected representatives and employees so that they can contribute effectively to the development of their cooperatives. They also make the general public, particularly young people and leaders aware of the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement, by working together through available local, regional, national and international structures.

7. Concern for Community

While focusing on the needs of their members, cooperatives work for the sustainable development of communities through policies accepted by their members.

The Second Schedule

[See section 3(r) and 116]

List of national cooperative societies

1. National Cooperative Land Development Banks Federation Limited, Mumbai
2. National Federation of State Cooperative Banks Limited, Mumbai
3. National Cooperative Union of India Limited, New Delhi
4. National Agricultural Cooperative Marketing Federation of India Limited, New Delhi
5. National Cooperative Consumer's Federation of India Limited, New Delhi
6. National Federation of Cooperative Sugar Factories Limited, New Delhi

7. National Federation of Industrial Cooperative Limited, New Delhi
8. National Cooperative Housing Federation Limited, New Delhi
9. Indian Farmer's Fertiliser Cooperative Limited, New Delhi
10. All India Federation of Cooperative Spinning Mills Limited, Mumbai
11. All India Industrial Cooperative Banks Federation Limited, Bangalore
12. National Cooperative Dairy Federation of India Limited, Anand
13. Petrofils Cooperative Limited, Vadodara
14. National Heavy Engineering Cooperative Limited, Pune
15. All India Handloom Fabrics Marketing Cooperative Society Limited, New Delhi
16. National Federation of Urban Cooperative Banks and Credit Societies Limited, New Delhi
17. Krishak Bharati Cooperative Limited, New Delhi
18. National Federation of Fishermen's Cooperative Limited, New Delhi
19. National Federation of Labour Cooperative Limited, New Delhi
20. National Cooperative Tobacco Grower's Federation, Anand
21. Tribal Cooperative Marketing Development Federation of India Limited, New Delhi

**The Multi-State Cooperative Societies
Rules, 2002
Ministry of Agriculture
(Department of Agriculture and Cooperation)**

Notification

New Delhi, the 2nd December 2002

G.S.R 790(E) - In exercise of the powers conferred by section 124 of the Multi-State Cooperative Societies Act, 2002 (39 of 2002), the Central Government hereby make the following rules, namely:-

**Chapter 1
Preliminary**

1. Short title, extent and commencement

1. This Act may be called the Multi-State Cooperative Societies Rules, 2002.
2. These rules shall come into force on the date of their publication in the Official Gazette.

2. Definitions

In these rules, unless the context otherwise requires,-

- (i) "Act" means the Multi-State Cooperative Societies Act, 2002 (39 of 2002);
- (ii) "authorised office" means an officer authorised by the Central Government for the purpose of section 103 of the Act;
- (iii) "decree" means any decree of a civil court and includes any decision or order referred to in section 94 of the Act;
- (iv) "decree holder" means any person holding a decree as defined in clause (iii);
- (v) "defaulter" means any multi-state cooperative society, any cooperative society, member or any other person committing default;
- (vi) "form" means a form appended to these rules,
- (vii) "general meeting" means a meeting of the general body including a representative general body referred to in the first proviso to sub-section (1) of section 38;
- (viii) "judgement debtor" means a meeting any multi-state cooperative

society against which or any person against whom a decree has been obtained;

- (ix) "recovery officer" means any person authorised to execute the powers of the Central Registrar under section 94;
- (x) "sale officer" means a person authorised by the Central Registrar by a general or special order, to attach and sale the property of judgement debtor or to execute any decree by attachment or sale of property;
- (xi) "section" means a section of the Act;
- (xii) "schedule" means a schedule appended to these rules;
- (xiii) Words and expressions defined in the Act and used but not defined in these rules shall have the meanings respectively assigned to them in the Act.

Chapter 2 Registration

3. Application for registration

- (1) An application for registration of a multi-state cooperative society under sub-section (1) of section 6 shall be made in Form I and shall, subject to the provisions of sub-section (2) of section 6 and sub-rules (2), (3), (4) and (5) of these Rules be signed by the applicants and be accompanied by -
 - (a) four copies of the proposed bye-laws of the multi-state cooperative society, duly signed by each of the persons who sign the application for registration;
 - (b) a list of persons who have contributed to the share capital, together with the amount contributed by each of them, and the admission fee paid by them;
 - (c) a certificate from the bank or banks stating the credit balance in favour of the proposed multi-state cooperative society;
 - (d) a scheme showing the details explaining how the working of the multi-state cooperative society will be economically sound and the registration of such multi-state cooperative society will be beneficial for social and economic betterment of its members through self-help and mutual aid in accordance with the cooperative principles;
 - (e) certified copy of the resolution of the promoters which shall specify the name and address of one of the applicants to whom the Central Registrar may address correspondence under the rules before registration and dispatch or hand over registration documents.
- (2) Where any member of a multi-state cooperative society to be registered is a multi-state cooperative society or a cooperative society, the Chairperson or Chief Executive or a member duly authorised by board of directors or the governing body of such multi-state cooperative society or cooperative society, as the case

may be, shall be authorised by that board by as resolution, to sign the application for registration and bye-laws on its behalf, and a copy of such resolution shall be suspended to the application.

- (3) Where the members of a multi-state cooperative society to be registered are cooperative Societies or multi-state cooperative societies and individuals, such application shall be signed by individuals and authorised representative of such cooperative society or multi-state cooperative society.
- (4) Where any member of multi-state cooperative society to be registered is a Government company, a corporate body or a society registered under the Societies Registration Act, 1860 (21 of 1860) such member duly authorise any person to sign the application for registration and the bye-laws on its behalf and a copy of such resolution giving such authority shall be appended to the application.
- (5) A copy of resolution indicating the name of one or more applicants, who are authorised to make alterations or additions to the proposed bye-laws submitted with the application, as may be suggested by the Central Registrar, shall be submitted.
- (6) The application shall either be sent by registered post or delivered by hand to the Central Registrar in his Office.

4. Registration

- (1) On receipt of an application under rule 3, the Central Registrar shall enter the particulars of the application in the register of applications to be maintained in Form II, give a serial number to the application and issue a receipt in acknowledgement thereof.
- (2) If the Central Registrar is satisfied that the proposed multi-state cooperative society has complied with the requirements of the Act and the rules, he may register the society and its bye-laws.
- (3) Where the Central Registrar registers a multi-state cooperative society, he shall issue to the said society a certificate of registration signed by him and bearing his official seal containing registration number and date of registration of the said society. The Central Registrar shall also issue, along with the certificate of registration, a certified copy of bye-laws, as approved and registered by him, which shall be the registered bye-laws of the said society for the time being in force.

5. Refusal of registration

- (1) The order of refusal to register a multi-state cooperative society referred to in sub-section (3) of section 7 shall be communicated through registered post to the person referred to in clause (e) of sub-rule (1) of rule 3, of the proposed society.
- (2) The manner of communication of orders refusing the registration under sub-rule (1) shall be conclusive proof for refusal of the registration of the proposed society.

6. Bye-laws

Every multi-state cooperative society applying for registration under this Act may make bye-laws consistent with the provisions of this Act and the rules made thereunder and model bye-laws, if any, framed by the Central Registrar. The subject matter of the bye-laws shall be as provided in section 10 and other relevant provisions of the Act and rules made thereunder. In addition, the bye-laws may also include, -

- (i) Procedure and manner of redemption of shares.
- (ii) The provisions of office bearers of the society, the terms and conditions, their functions and responsibilities other than those specified in the Act.
- (iii) Constitution of the committees of the board.
- (iv) Rate of dividend subject to maximum of the rates specified in the bye-laws.
- (v) The procedure for the association and representation of employees of the society.
- (vi) Constitution of the committees of the board.
- (vii) The procedure of election or selection for constitution of smaller body of delegates.
- (viii) The method of recruitment, the condition of service and the authority competent to fix, revise or regulate the scales of pay and allowance to be paid to the officers and other employees of the society and the procedure to be followed in the disposal of disciplinary cases.
- (ix) The constitution and powers of the representative general body and the restrictions subject to which this body may exercise its powers.

7. Refusal of amendment of bye-laws

- (1) Where the Central Registrar refuses to register an amendment of bye-laws of a multi state cooperative society under sub-section (9) of section 11, he shall communicate the order of refusal together with the reasons therefor to the chief executive of a multi-state cooperative society, through registered post.
- (2) The manner of communication of the order of refusal under sub-rule (1) shall conclusive proof that the amendments of bye-laws have been refused and communicated to the society.

8. Principal place of business and address

- (1) Every multi-state cooperative society shall have one principal place of business which shall be the registered office of the society and shall be specified in the bye laws.
- (2) Every change in principal place of business of a multi-state cooperative society shall be made by an amendment of its bye-laws after the following procedure laid down in section 11 of the Act.
- (3) Any change in registered office of a multi-state cooperative society, the same shall be notified to the Central Registrar within a period of fifteen days of its change.

9. Maintenance of Registration file by the society

- (1) Every multi-state cooperative society shall maintain at its registered address a registration file containing, -
 - (a) the certificate of registration;
 - (b) the registered bye-laws;
 - (c) all registered amendments to the bye-laws along with the certificates of registration of amendments;
 - (d) a copy of the Act and the rules.
- (2) The registration file shall be kept open for inspection at all times during working hours to the Central Registrar or any other officer authorised by him or any member of multi-state cooperative society.

10. Change in name of multi-state cooperative society

- (1) The name of a multi-state cooperative society may be changed after following the procedure given in the section 11, however, that it does not refer to any caste or religion denomination and is not inconsistent with the objects of the multi-state cooperative society.
- (2) Every change in the name of the multi-state cooperative society shall be made by an amendment of its bye-laws.
- (3) After the change in the name is approved by the Central Registrar

the multi-state cooperative society shall send the original registration certificate for amendment to the Central Registrar who shall return the same to the multi-state cooperative society duly amended.

11. Conditions to be complied with for membership

- (1) No persons shall be admitted as a member of a multi-state cooperative society unless -
 - (a) he has applied in writing in the form, if any, laid down by the multi-state cooperative society or in the form specified by the Central Registrar, if any, for membership;
 - (b) his application is approved by the board of the multi-state cooperative society;
 - (c) he has purchased the minimum number of shares and paid the value thereof in full or in part in such calls as may be laid down in the bye-laws of the multi-state cooperative society;
 - (d) he has fulfilled all other conditions laid down in the Act, the rules and the bye-laws;
 - (e) in the case of a multi-state cooperative society or a cooperative society or the national cooperative society or any other corporation owned or controlled by the Government or any Government or any Government company or body of persons whether incorporated or not, the application for membership shall be accompanied by a resolution authorising it to apply for such membership.
- (2) No person shall be eligible for admission as a member of a multi-state cooperative society if he –
 - (a) has not attained the age of 18 years;
 - (b) has been adjudged by a competent court to be an insolvent or an undischarged insolvent;
 - (c) has been sentenced for any offence, other than offence of a political character or an offence not involving moral turpitude and dishonesty and a period of five years has not elapsed from the date of expiry of the sentence.
- (3) Notwithstanding anything contained in these rules or the bye-laws of the multi-state cooperative society, if a member becomes or has already become subject to any disqualifications specified in sub-rule (2), he shall be deemed to have ceased to be a member of the society from the date when the disqualification was incurred.

- (4) No individual being a member of a primary level multi-state cooperative society or a multi-state credit society, or a multi-state urban cooperative bank, shall be the member of any other multi-state cooperative society or cooperative society of the same class without the general or special permission of the Central Registrar and where an individual has become a member of two such cooperative societies aforesaid, than either or both of the societies shall be bound to remove him from membership on written requisition from the Central Registrar to that effect.
- (5) No multi-state cooperative society shall admit members within thirty days prior to the date of the meeting of its general body.

Chapter 3

Federal Cooperatives

12. Classification of federal cooperatives

- (1) The federal cooperative societies may be classified with reference to the nature of their activities. Not more than one federal cooperative society shall be registered in similar and identical objects in same area of operation.
- (2) The federal cooperatives for the sake of promotion of their constituent members will make suitable provisions in their bye-laws to avoid competition with the member societies.

Chapter 4

Management of multi-state cooperative societies

13. Annual General Meeting

- (1) Every multi-state cooperative society shall hold the annual general meeting of its members not later than a period of six months after the close of cooperative year. All the general meetings shall be called at the principal place of the society.
- (2) Without prejudice to the provisions sub-section (3) of section 38 of the Act, a multi-state cooperative society with a membership exceeding one thousand may provide in its bye-laws for the constitution of a smaller body. The small body so constituted shall exercise all such powers of the general body as may be specified in the bye-laws.

14. Interim board and general meeting for the first election

The first general meeting of the society shall be held within six months of the registration of the society by the promoter members for the election

of the board of directors. The interim board selected by the applicants for the registration of a multi-state cooperative society shall hold office till the regular board is elected.

15. Notice for general meeting

- (1) Annual general meeting of a multi-state cooperative society may be called by giving not less than fourteen days notice in writing.
- (2) Special general meeting of a multi-state cooperative society may be called by giving not less than seven days notice in writing.
- (3) When a general meeting is called by the Central Registrar or any person authorised by him under sub-section (2) of section 39 or a special general meeting under sub-section (2) of section 40, he may determine –
 - (i) the period of notice of such meeting which shall not be less than seven days;
 - (ii) the time and place of such meeting; and
 - (iii) the subjects to be considered in such meeting.

The Central Registrar or any person authorised by him may preside over such meeting.

- (4) The notice of annual general meeting shall be accompanied by a copy each of the audited balance sheet, profit and loss account, together with the auditor's report thereon relating to the preceding year and the report of the board, amendment of bye-laws, if any and election of members of the board, if any.

16. Quorum at a general meeting

- (1) Unless otherwise provided in the bye-laws, the quorum for a general meeting shall be one-fifth of the total number of members of the general body of a multi-state cooperative society.
- (2) No business shall be transacted at any general meeting unless there is a quorum at the time when the business of the meeting is due to commence.
- (3) If within half-an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned:

Provided that a meeting which has been called on requisition of the members shall not be adjourned but dissolved.

- (4) If at any time during the meeting sufficient number of members are

not present to form the quorum the Chairperson or the member presiding over the meeting on his own, or on his attention being drawn to this fact, shall adjourn the meeting and the business that remains to be transacted at this meeting, if any, shall be disposed of in the usual manner at the adjourned meeting.

- (5) Where a meeting is adjourned under sub-rule (3) or sub-rule (4), the adjourned meeting shall be held either on the same day or on such date, time and place as may be decided by the Chairperson or the member presiding over the meeting, but within seven days from the date of adjourned meeting.
- (6) No business shall be transacted at any adjourned meeting other than the business on the agenda of the adjourned meeting under sub-rule (3) or sub-rule (4).
- (7) No quorum shall be necessary in respect of an adjourned general meeting.

17. Voting in general meeting

- (1) All resolutions which are put to vote at the general meeting shall be decided by a majority of the members present and voting unless otherwise required under the Act, these rules or the bye-laws of the multi-state cooperative society. Every society shall provide in its bye-laws the procedure and manner of voting and other matters connected therewith.
- (2) In the event of an equality of votes, the Chairperson of the meeting, shall have a second or casting vote.

18. Minutes of the general meeting

Minutes of the proceedings of the general meeting shall be entered in a minutes book kept for the purpose and shall be signed by the Chairperson and Chief Executive of the meeting. The minutes so signed, shall be an evidence of the correct proceedings of that meeting.

19. Procedure for conduct of elections

- (1) The election of members of the board shall be conducted by a returning officer appointed by the board in its meeting. The returning officer so appointed shall not be a member or an employee of the society:

Provided, that the Central Registrar shall appoint the returning officer to conduct the election of the National multi-state cooperative societies, multi-state urban cooperative banks, multi-stage agricultural processing cooperatives and Railway Employees Credit Societies. The Central Registrar may also appoint returning officer

for conduct of election of a society if so requested by the Board of Directors of such society.

- (2) The election of the members of the board referred to in sub-rule (1) shall be conducted by secret ballot in the manner as specified in the schedule attached with these rules.

20. Election of the Office bearers

- (1) The election of the office bearers of the board shall be conducted as per the programme given in the election schedule.
- (2) The eligibility of the candidates for the election of office bearers shall be subject to the provisions contained in sections 43 and 44 of the Act.

21. Terms and conditions of the chief executive

Where the Central Government or a State Government holds fifty one percent or more equity capital of a multi-state cooperative society, the qualifications and eligibility conditions for the post of Chief Executive, the salaries and allowances, other terms and conditions of service including suspension, removal, pension, gratuity, retirement benefits etc. shall be as approved by the Central Government.

Chapter 5

Privileges, Properties and Funds of Multi-State Cooperative Societies

22. Certification of copies of entries in books

- (1)
 - (a) A copy of any entry in a book of a multi-state cooperative society regularly kept in the course of its business shall be certified by the Chief Executive or officer authorised by the bye-laws of the society.
 - (b) Where an order has been passed under section 123 superseding the board and appointing an administrator by administrator or any other officer authorised by him.
 - (c) Where an order has been passed under sub-section (1) of section 89 appointing a liquidator of the multi-state cooperative society, by the liquidator.
- (2) Every certified copy shall bear the signature of the Chief Executive or any authorised officer and seal of the multi-state cooperative society.
- (3) The charges to be levied for the supply of such certified copies shall

- (v) The Director General, National Council for Cooperative Training, New Delhi
Member
 - (vi) The Director, Vaikunth Mehta National Institute of Cooperative Management, Pune
Member
- (2) No expenditure out of the cooperative education fund shall be incurred without approval of the committee.
 - (3) The National Cooperative Union of India Limited, shall maintain this fund in a separate account and all income by way of interest or otherwise accruing from contribution towards this fund shall be credited to this fund.
 - (4) The balance in the fund, constituted under rule 4 of the Multi-State Cooperative Societies (Privileges, Properties and Funds, Accounts, Audit, Winding up and Execution of Decrees, Orders and Decisions) Rules, 1985, at the commencement of these rules shall be construed the fund as if constituted under these rules.
 - (5) The cooperative education fund shall be utilised for the purposes connected with the cooperative education and training and human resource development for cooperatives. The Committee may undertake the programmes of cooperative education and training and human resource development, through National Cooperative Union of India, National Council for Cooperative Training, contributing members or any other professionally qualified body as the Committee may, decide.

26. Contributory Provident Fund

- (1) Every multi-state cooperative society which has in its service ten or more regular employees shall establish a Contributory Provident Fund referred to in sub-section (1) of section 69.
- (2) The multi-state cooperative society creating such a fund shall provide for the following in its bye-laws –
 - (a) Authority to administer the fund.
 - (b) Amount of contribution to be deducted from the employee's salary.
 - (c) Mode of nomination for payment of the amount of the contributory provident fund in case of employee's death.
 - (d) Purpose for which, the extent to which, and the period after which, advances may be made against the security of such fund and the number of monthly installments in which advance is to be repaid.

- (e) Refund of employee's contribution and contribution made by the society.
 - (f) Maintenance of accounts of such fund.
- (3) The amount of contribution that can be deducted from the salary of an employee of the multi-state cooperative society shall not be less than the ceiling provided in the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 (19 of 1952)
- (4) The multi-state cooperative society may make such contribution every year to the employee's contributory provident fund as may be approved by the board subject to the maximum ceiling as provided in the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 (19 of 1952).

27. Audit and Accounts

- (1) Every multi-state cooperative society shall keep books of account with respect to—
- (a) all sums of money received and expended and the matters in respect of which the receipt and expenditure take place;
 - (b) all sales and purchase of goods;
 - (c) the assets and liabilities;
 - (d) in the case of a multi-state cooperative society engaged in production, processing and manufacturing, particulars relating to utilisation of materials or labour or other items of costs as may be specified in the bye-laws of such a society.
- (2) The audit of a multi-state cooperative society under sub-section (1) of section 73 shall include, in addition to the matters specified in sub-section (2) of that section the following particulars –
- (a) Whether the auditor has obtained all the information and explanations which, to the best of his knowledge and belief are necessary for the purposes of his audit;
 - (b) Whether in his opinion proper books of accounts as specified in these rules and bye-laws have been kept by the multi-state cooperative society so far as it appears from the examination of those books and proper returns adequate for the purposes of his audit have been received from the branches not visited by him;
 - (c) Whether the balance-sheet and profit and loss account exhibit a true and fair view of the state of affairs of the multi-state

cooperative society according to best of his information and explanation give to him and as shown by the books of the multi-state cooperative society; and

- (d) Whether there has been any material impropriety or irregularity in the expenditure or in the realisation of money due to the multi-state cooperative society;
 - (e) Whether in case of a cooperative bank, the guidelines issued by the Reserve Bank and National Agriculture and Rural development Bank established under the National Agriculture and rural Development Bank Act, 1981 (61 of 1981) have been adhered to.
- (3) The audit report shall also contain schedules with particulars of, –
- (a) all transactions which appear to be contrary to the provisions of the Act, the rules or the bye-laws of the multi-state cooperative society;
 - (b) all transactions which appear to be contrary to the guidelines issued by the Reserve Bank and National Agriculture and Rural Development Bank;
 - (c) any money belonging to the multi-state cooperative society which appears to the auditor to be band or doubtful of recovery;
 - (d) the loans given by the multi-state cooperative society to the members of the board;
 - (e) any violation of guidelines, conditions etc. issued by the Reserve Bank of India or National Agriculture and Rural Development by any cooperative Bank;
 - (f) any other matters as may be specified by the Central Registrar in this regard.

28. Procedure to be adopted by liquidator

When liquidator has been appointed under sub-section (1) of section 89, the following procedure shall be adopted.

- (a) The appointment of the liquidator shall be notified by the Central Registrar in the Official Gazette.
- (b) The liquidator shall, as soon as the order of winding up of the multi-state cooperative society takes effect, publish by such means as he may, think proper, a notice, requiring all claims against the multi-state cooperative society, the winding up of

which has been ordered, to be submitted to him within two months of the publication of the notice. All liabilities recorded in the account books of a multi-state cooperative society shall be deemed ipso-fact to have been duly submitted to him under this clause.

- (c) The liquidator shall investigate all the claims against the multi-state cooperative society and decide questions of priority arising between claimants.
- (d) The liquidator shall recover all sums and other properties to which the multi-state cooperative society is entitled and may institute such suits for that purpose or such suits incidental to liquidation proceedings as he may think proper.
- (e) The liquidator may empower any person, by general or special order in writing, to make collections and to grant valid receipts on his behalf.
- (f) The liquidator shall, after setting the assets and liabilities of multi-state cooperative society as they stood on the date on which the order of winding up is made, proceed next to determine from time to time the contribution including debts due and costs of liquidation to be made or remaining to be made by each of its members, past members, or by the estates, or nominees, heirs or legal representatives of deceased members or by any officers or former officers, to the assets of the multi-state cooperative society, under clause (b) of sub-section (2) of section 90. Should necessity arise, he may also make a subsidiary order regarding such contributions and such order shall be enforceable in the same manner as the original order.
- (g) All funds in the charge of the liquidator shall be deposited in the Post Office Savings Banks or in a cooperative bank or with such other banks as may be approved by the Central Registrar and shall stand in his name.
- (h) The Central Registrar shall fix the amount of remuneration, if any, to be paid to the liquidator. The remuneration shall be included in the cost of liquidation, which shall be payable out of the assets of the multi-state cooperative society in priority of all other claims.
- (i) The liquidator may call for the meeting of the members of the multi-state cooperative society under liquidation.
- (j) The liquidator shall submit to the Central Registrar a quarterly report in such form as the Central Registrar may, specify showing the progress made in liquidation of the multi-state

cooperative society.

- (k) The liquidator shall keep such books and accounts as may from time to time be specified by the Central Registrar who may at any time cause such books and accounts to be audited.
- (l) At the conclusion of the liquidation, the liquidator shall call for a general meeting of the members of the dissolved society at which the liquidator or any other person authorised by him, by special or general order in writing in this behalf, shall summarise, the result of his proceedings and shall take a vote as to the disposal of any surplus funds. The liquidator shall submit his final report to the Central Registrar with a copy of the proceedings of the general meeting referred to above and make over to the Central Registrar all books and registers and accounts etc., belonging to the multi-state cooperative society and all books and accounts relating to the liquidation proceedings kept by him.
- (m) If any liability cannot be discharged by the liquidator owing to the whereabouts of the claimants not being known or for any other cause, the amount covered by such undischarged liability may be deposited in a Cooperative Bank and shall be available for meeting the claims of the person or persons concerned.
- (n) A liquidator may, at any time, be removed by the Central Registrar and he shall on such removal be bound to hand over all the property and documents relating to the society under liquidation to such persons as the Central Registrar may direct.
- (o) All the books and records of a multi-state cooperative society whose registration has been cancelled and the proceedings of liquidation of a multi-state cooperative society ordered to be wound up may be destroyed by the Central Registrar after the expiry of three years from the date of the order canceling the registration of the multi-state cooperative society.

29. Application of assets of the multi-state cooperative society

The assets of the multi-state cooperative society shall be applied in order of priority as given below for payment of the liabilities—

- (1) Pro-rata payment of all outside liabilities.
- (2) Pro-rata repayment of loans and deposits of members.
- (3) Pro-rata refund of share capital

- (4) Pro-rata payment of dividend on the share at the rate not exceeding 6.25 per cent per annum for the period of liquidation.

30. Disputes

- (1) For the purposes of sub-section (4) of section 84 of the Act, the Central Registrar may appoint and fix the fee of the arbitrators subject to the provisions of Arbitration and Conciliation Act, 1996.
- (2) Save as otherwise provided under this Act, the provisions of the Arbitration and Conciliation Act, 1996 shall apply to all arbitration under this Act as if the proceedings for arbitration were referred for settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

Chapter 6 Appeals and Review

31. Appeals

For the purpose of sub-section (2) of section 99, an appeal against any decision or order shall be made, if the decision or order was made by—

- (a) the Central Registrar appointed under sub-section (1) of section 4 of the Act, to the Officer not below the rank of Additional Secretary to the Government of India in the Department of Agriculture and Cooperation as may be decided by the Central Government;
- (b) any officer of the Central Government or of a State Government of the rank of Registrar, on whom powers of the Central Registrar have been conferred under sub-section (2) of section 4 of the Act, to the Joint Secretary to the Government of India in the Department of Agriculture and Cooperation, Incharge of Cooperation;
- (c) any other officer of the State Government on whom powers of Central Registrar have been conferred under sub-section (2) of section 4 of the Act, to the Chief Director (Cooperation) in the Ministry of Agriculture and Cooperation or any other Officer authorised by the Central Government in this behalf.

32. Procedure regarding appeals

- (1) An appeal under sub-section (2) of section 99 shall be either presented in person or sent by registered post to the appellate authority.
- (2) The appeal shall be in the form of a memorandum and shall be

accompanied by the original or certified copy of the order appealed from.

- (3) Every appeal shall—
 - (a) specify the name and address of the appellant and also the name and address of the respondent or respondents;
 - (b) state by whom the order appealed against was made;
 - (c) set forth concisely and under distinct heads, the grounds of objection to the order appealed against together with a memorandum of evidence;
 - (d) state precisely the relief which the appellant sought for; and
 - (e) give the date of order appealed against or;
 - (f) the memorandum of the appeal inclusive of memorandum of evidence shall be supported by an affidavit duly sworn by the appellant.
- (4) Where, an appeal under sub-section (2) of section 99 is preferred after the expiry of sixty days specified in the said sub-section, it shall be accompanied by a petition supported by an affidavit setting forth the facts on which the appellant relies to satisfy the appellate authority that he had sufficient cause for not preferring the appeal within the period mentioned in that sub-section.
- (5) On receipt of the appeal, the appellate authority shall as soon as possible examine it and ensure that—
 - (a) the person presenting the appeal has the locus standi to do so;
 - (b) it is made within the prescribed time limit; and
 - (c) it conforms to all the provisions of the Act and rules.
- (6) The appellate authority may call upon the appellant to remedy the defects if any, or furnish such additional information as may be necessary, within a period of fifteen days of the receipt of the notice to do so. If the appellant fails to remedy the defects or furnish the additional information called for within the said period, the appeal petition may be dismissed.
- (7) The appellate authority may, before passing orders under section 99 obtain from any subordinate officer such further information in regard to the enquiry or the proceedings for the purpose of verifying the regularity of such proceedings or the correctness, legality or propriety of any decision passed or order made therein. The

appellate authority may also call for and obtain from the parties connected with such enquiry or proceedings such information as is necessary with reference to the examination of the records of enquiry or proceedings and the information obtained from the subordinate officer.

- (8) The appellate authority shall on the basis of the enquiry conducted and with reference to the records examined, pass such order on the appeal as may deem just and reasonable.
- (9) Every order of the appellate authority under sub-section (2) of section 99 shall be in writing and it shall be communicated to the appellant and to such other parties as in the opinion of that authority are likely to be affected by the decision or order and to the officer concerned against whose order was made.

33. Application for review

- (1) Every application under section 101 shall be in the form of a memorandum setting forth concisely and under distinct heads the new and important facts which after the exercise of the due diligence, were not then within the knowledge of the applicant or could not be produced by him when the order was made or mistake or errors apparent on the face of the record or order reasons on the basis of which review is sought. It shall be accompanied by a memorandum of evidence.
- (2) The application shall be accompanied by the original or a certified copy of the order to which the application relates.
- (3) No application for review shall be entertained unless it is accompanied by such additional number of copies as there are parties to the original order
- (4) An application for review by any party shall be made within thirty days from the date of communication of the order of the appellate authority sought to be reviewed.
- (5) The application shall, so far as it may be necessary, be disposed of by the appellate authority in such manner as may be deemed fit:

Provided that no order in review application shall be made unless notice has been given to all interested parties and they have been afforded a reasonable opportunity of being heard.

Chapter 7
Societies which become Multi-State Cooperative Societies
Consequent on Reorganisation of States

34. Preparation of a scheme for the reconstitution or reorganisation of multi-state cooperative societies

- (1) The Central Registrar or the authorised officer, as the case may be, shall prepare a scheme referred to in sub-section (2) of section 103 for the reconstitution or reorganisation of any multi-state cooperative society rendered as such consequent on the reorganisation of States referred to in sub-section (1) of section 103. The Central Registrar or the authorised officer with the previous approval of the Central Government forward a copy of the scheme to the President or the Chairperson of the multi-state cooperative society with the direction that the scheme be placed before a meeting of the general body of the multi-state cooperative society specially convened for the purpose.
- (2) The meeting referred to in sub-rule (1) shall be convened not less than forty days after the date of issue of the notice to the members and the creditors of the multi-state cooperative society in the manner specified in sub-rule (3).
- (3) A written notice specifying the date, hour and place of meeting and the business to be transacted there at shall be given to every member and shall be accompanied by a copy of the scheme to be considered at the meeting. The notice to each member and creditor shall, -
 - (i) be delivered or tendered to him in person;
 - (ii) be sent to him by registered post; or
 - (iii) be served on him in such other manner as may be specified in the bye-laws of the society.
- (4) Notwithstanding anything to the contrary contained in any rule or bye-law governing the multi-state cooperative society, where the Central Registrar or the authorised officer in this behalf is satisfied that the President or Chairperson of the society has failed to convene the meeting of the general body as required under sub-rule (1), the Central Registrar or the authorised officer, as the case may be, shall convene a meeting of the general body of the multi-state cooperative society.

Chapter 8
Payment of fees for inspection of Records

35. Payment of fee for inspection of records

The fees for payment of inspection of records by any other person, other than the member shall be rupee one per folio.

Chapter 9
Miscellaneous

36. Mode of service of summon

- (1) Every summon issued under the Act or these rules shall be in writing, shall be authenticated by the seal, if any, of the officer by whom it is issued and shall be signed by such officer or by any person authorised by him in writing in that behalf. It shall require the person summoned to appear before the said officer at a stated time and place, and shall specify whether his attendance is required for the purpose of giving evidence, or to produce a document, or for both purposes, and any particular document the production of which is required, shall be described in the summons with reasonable accuracy.
- (2) Any person may be summoned to produce a document, without being summoned to give evidence, and any person summoned merely to produce a document shall be deemed to have complied with the summons if he causes such document to be produced, instead of attending personally to produce the same.
- (3) The service of summons under the Act or these rules on any person, may be effected in any of the following ways -
 - (a) by giving or tendering it to such person; or
 - (b) if such person is not found, by delivering or transmitting at the place where the person or his agent empowered to accept the summons on behalf of the person, actually and voluntarily resides or carries on business or personally works for gain; or
 - (c) if the address of such person is known to the Central Registrar or other authorised person by sending it to him by registered post acknowledgement due; or
 - (d) if none of the means aforesaid is available, by affixing it in some conspicuous part of his last known place where actually or voluntarily resides or carries on business or personally works for gain.
- (4) Where the serving officer delivers or tenders a copy of the summons to the person personally or his agent on his behalf, he

shall require the signature of the person to whom the copy is so delivered or tendered as an acknowledgement of service endorsed on the original summons.

- (5) The serving officer shall in all cases in which the summons have been served under sub-rule (4), endorse or annex, or cause to be endorsed or annexed, on or to the original summons a return stating the time when and the manner in which the summons was served and the name and address of the person, if any, identifying the person served and witnessing the delivery or tender of the summons.
- (6) Where the person to be summoned is a public officer or is a servant of a company or a local authority, the officer issuing the summons may, if it appear that the summons may be conveniently so served, send it by registered post acknowledgement due for service on the party to be summoned, to the head of the office in which he is employed together with a copy to be retained by such person.

37. Procedure in execution of decrees, orders and decisions

- (1) Any decree-holder requiring the provisions of clause (c) of section 94 to be applied, shall apply to the recovery officer in whose jurisdiction the cause of action arose and shall deposit the necessary costs as fixed by the Central Registrar. If the judgement debtor resides, or the property to be proceeded against is situated, outside the jurisdiction of such recovery officer, the recovery officer shall transfer the application to the recovery officer in whose jurisdiction the judgement debtor resides or the property is situated.
- (2) Every such application shall be made in the form specified by the Central Registrar and shall be signed by the decree-holder. The decree-holder may indicate whether he wishes to proceed against the immovable property mortgaged to the decree-holder or other immovable property or to secure the attachment of movable property.
- (3) On receipt of such application, the recovery officer shall verify the correctness and genuineness of the particulars set forth in the application with the records, if any, in the office of Central Registrar and prepare a demand notice in writing in duplicate in the form specified by the Central Registrar, setting forth the name of the judgement debtor and amount due and forward it to the Sale Officer.
- (4) Unless the decree-holder has expressed a desire that proceedings should be taken in a particular order as laid down in sub-rule (2), execution shall ordinarily be taken in the following manner, namely-

- (i) movable property of the defaulter shall be first proceeded against, but this shall not preclude the immovable property being proceeded against simultaneously in case of necessity;
 - (ii) if there is no movable property, or if the sale proceeds of the movable property, or properties attached and sold are insufficient to meet in full the demand of the decree-holder, the immovable property mortgaged to the decree-holder, or other immovable property belonging to the judgement debtor may be proceeded against.
- (5) In the attachment and sale of movable property, the following rules shall be observed, namely -
- (a) the Sale Officer, shall after giving previous notice to the decree-holder, proceed to the village or place where the judgement debtor resides or the property to be distrained is situated and serve a demand notice upon the judgement debtor if he is present. If the amount due together with expenses be not at once paid, the Sale Officer shall make the distress and shall immediately deliver to the judgement debtor a list or inventory of the property distrained and an intimation of place and day and hour at which the distrained property will be brought to sale if the amount due are not previously discharged. If the judgement debtor is absent, the Sale Officer shall serve the demand notice on some adult male member of his family, or on his authorised agent, or when such service cannot be effected, shall affix a copy of the demand notice on some conspicuous part of his residence. He shall then proceed to make the distress and shall fix the list of property attached on the usual place of residence of the judgement debtor, endorsing thereon the place where the property may be lodged or kept and an intimation of the place, day and hour of sale.
 - (b) After the distress is made, the Sale Officer may arrange for the custody of the property attached with the decree-holder or otherwise. If the Sale Officer requires the decree-holder to undertake the custody of the property he shall be bound to do so and any loss incurred owing to his negligence shall be made good by the decree-holder. If the attached property is live-stock, the decree-holder shall be responsible for providing the necessary food therefor. The Sale Officer may, at the instance of the judgement debtor or of any person claiming an interest in such property, leave it in the village or place where was attached, in the charge of such judgement debtor or person, if he gives a bond in the form specified by the Central Registrar with one or more sufficient sureties for the production of the property as and when called for.

- (c) The distress shall be made after sunrise and before sunset and not at any other time.
- (d) The distress levied shall not be excessive, that is to say, the property distrained shall be as nearly as possible proportionate to the sum due by the defaulter together with interest and all expenses incidental to the distraint, detention and sale.
- (e) If crops or ungathered products of the land belonging to a judgement debtor are attached, the Sale Officer may cause them to be sold when fit for reaping or gathering, or at his option may cause them to be reaped or gathered in due season and stored in proper place until sold. In the latter case, the expense of reaping or gathering and storing such crops or products shall be defrayed by the owner upon his redeeming the property or from the proceeds of the sale in the vent of its being sold.
- (f) The Sale Officer shall not work the bullocks or cattle, or make use of the goods or effect distrained, and he shall provide the necessary food for the cattle or livestock, the expense attending which shall be defrayed by the owner upon his redeeming the property or from the proceeds of the sale in the event of its being sold.
- (g) It shall be lawful for the Sale Officer to force open any stable, cow house, granary, godown, out-house or other building and he may also enter any dwelling house, the outer door of which may be open and may break open the door of any room in such dwelling house for the purpose of attaching property belonging to a defaulter and lodged therein, provided always that it shall not be lawful for the officer to break open or enter apartment in such dwelling house appropriate for the zenana or residence of women except as hereinafter provided.
- (h) Where the Sale Officer may have reason to suppose that the property of a defaulter is lodged within a dwelling house the outer door of which may be shut or within any apartments appropriated to women which by custom or usage are considered private, the Sale Officer shall represent the fact to the officer in charge of the nearest police station. On such representation, the officer-in-charge of the said station shall send a police officer to the spot in the presence of whom the Sale Officer may force open the other door of such dwelling house, like manner as he may break open the door of any room within the house except the zenana. The Sale Officer may also, in the presence of a police officer, after due notice given for the removal of women within a zenana and, after furnishing means for their removal in a suitable manner if they be women of rank who, according to the custom of usage

cannot appear in public, enter the zenana apartments for the purpose of distraining the judgement debtor's property, if any, deposited therein, but such property, if found, shall be immediately removed from such apartments after which they shall be left free to the former occupants.

- (i) The Sale Officer shall on the day previous to and on the day of sale cause proclamation of the time and place of the intended sale to be made by beat of drum in the village or place in which the judgement debtor resides on two consecutive days previous to the date of sale and on the day of sale prior to the commencement of the sale and in such other place or places as the officer may consider as the officer may consider necessary to give due publicity to the sale. No sale shall take place until after the expiration of the period of fifteen days from the date on which the sale notice has been served or affixed in the manner prescribed in clause (a) of this sub-rule:

Provided that where the property seized is subject to speedy or natural decay, or where the expense of keeping it in custody is likely to exceed its value, the Sale Officer may sell it at any time before the expiry of the said period of fifteen days, unless the amount due is sooner paid.

- (j) At the appointed time the property shall be put up in one or more lots, as the Sale Officer may consider advisable and shall be disposed of to the highest bidder:

Provided further that the Sale Officer may, in his discretion, adjourn the sale to a specified date and time recording his reasons for such adjournment. Where a sale is so adjourned for a longer period than seven days, a fresh proclamation under clause (i) shall be made unless the judgement debtor consents to waive it.

- (k) The property shall be paid for in cash at the time of sale, or as soon thereafter as the officer holding the sale shall appoint, and the purchaser shall not be permitted to carry away any part of the property until he has paid for it in full. Where the purchaser may fail in payment of purchase money, the property shall be resold.
- (l) Where any property which has been attached under these rules has been forcibly or clandestinely removed by any person, the Sale Officer may apply to a civil court having jurisdiction for restoration of such property. Where the court is satisfied about the truth of the facts, as alleged in the application, it may order forthwith such property to be restored to the Sale Officer.

- (m) Where prior to the day fixed for sale, the defaulter or any person acting on his behalf or any person claiming an interest in the property attached, pays the full amount due including interest, batta and other costs incurred in attaching the property, the Sale Officer shall cancel the order of attachment and release the property forthwith.
 - (n) The movable property mentioned as exempt from attachment in the proviso to section 60 of the Code of Civil Procedure, 1908 (5 of 1908), shall not be liable to attachment or sale under these rules.
- (6) Where the movable property to be attached is the salary or allowance or wages of a public servant or a servant of a local authority or a firm or a company, the recovery officer may, on receiving a report from the Sale Officer, order that the amount shall, subject to the provisions of section 60 of the Code of Civil Procedure, 1908 (5 of 1908) be with-held from such salary or allowances or wages either in one payment or by monthly installment as the recovery officer may direct and upon receipt of the order, the officer or other person whose duty it is to disburse such salary or allowance or wages shall withhold and remit to the Sale Officer, the amount due under the order or the monthly installment, as the case may be.
- (7) (i) Where the property to be attached consists of the share or interest of the defaulter in movable property belonging to him and another as co-owners, the attachment shall be made by a notice to the defaulter, prohibiting him from transferring the share or interest or charging it in any way.
- (ii) Where the property to be attached is negotiable instrument not deposited in a court, nor in the custody of a public officer, the attachment shall be made by actual seizure and the instrument shall be brought to the office of the recovery officer ordering the attachment and be held subject to his further orders.
- (iii) Where the property to be attached is in the custody of any court or public officer, the attachment shall be made by a notice to such court or officer, requesting that such property and any interest or dividend becoming payable thereon may be held subject to the further orders of the recovery officer issuing the notice:

Provided that where such property is in the custody of a court or recovery officer of another district, any question of title or priority arising between the decree-holder and any other person not being the judgement debtor claiming to be interested in such property by virtue of any assignment, attachment or otherwise shall be determined by such court or

recovery officer.

- (8) (i) Where the property to be attached is a decree either for the payment of money or for sale in enforcement of a mortgage or charge, the attachment shall be made if the decree sought to be attached was passed by the Central Registrar or any other person authorised by him.
- (ii) Where the Central Registrar makes an order under clause (i) he shall on the application of the decree-holder who has attached the decree, proceed to execute the attached decree and apply the net proceeds in satisfaction of the decree sought to be executed.
- (iii) The holder of a decree sought to be executed by the attachment of another decree of the nature specified in clause (i), shall be deemed to be the representative of the holder of the attached decree and to be entitled to execute such attached decree in any manner for the holder thereof.
- (iv) Where the property to be attached in execution of a decree is a decree other than a decree of the nature referred to in clause (i), the attachment shall be made by the issue of a notice by the recovery officer to the holder of such decree prohibiting him from transferring or charging the same in any way.
- (v) The holder of a decree attached under this sub-rule shall give the recovery officer executing the decree such information and aid as may reasonably be required.
- (vi) On the application of the holder of a decree sought to be executed by the attachment of another decree, the recovery officer making an order of attachment under this sub-rule shall give notice of such order to the judgement-debtor bound by the decree attached; any no payment or adjustment of the attached decree made by the judgement-debtor in contravention of such order after receipt of notice thereof either through the said recovery officer or otherwise, shall be recognised so long as the attachment remains in force.
- (9) Where the movable property to be attached is, -
- (a) a debt due to the judgement debtor in question,
- (b) a share in the capital of a corporation or a deposit invested therein, or
- (c) other movable property not in the possession of the judgement debtor, except property deposited in or in the custody of any civil court, the attachment shall be made by a written order

signed by the recovery officer prohibiting-

- (i) in the case of debt, the creditor from recovering the debt and the debtor from making payment thereof;
- (ii) in the case of a share or deposit, the person in whose name the share or the deposit may be standing, from transferring the share or deposit or receiving any dividend or interest thereon; and
- (iii) in the case of any other movable property, the person in possession of it from giving it over to the judgement debtor.

A copy of such order shall be sent in the case of the debt to the debtor, in the case of the share or deposit, to the proper officer of the corporation and in the case of the other movable property to the person in possession of such property. As soon as the debt referred to in clause (a) or the deposit referred to in clause (b) matures, the recovery officer may direct the person concerned to pay the amount to him. Where the share is not withdrawable, the recovery officer shall arrange for its sale through a broker. Where the share is withdrawable, its value shall be paid to the recovery officer or to the party referred to in clause (c). In the case of other moveable property referred to in sub-clause (iii) of clause (c) the person concerned shall place it in the hands of the recovery officer when it becomes deliverable to the defaulter.

- (10) Immovable property shall not be sold in execution of a decree unless such property has been previously attached:

Provided that where the decree has been obtained on the basis of a mortgage of such property it shall not be necessary to attach it.

- (11) In the attachment and sale, or sale without attachment of immovable property, the following rules shall be observed, namely -

- (a) The application presented under sub-rule (2) shall contain a description of the immovable property to be proceeded against, sufficient for its identification and in case such property can be identified by boundaries or numbers in a record of settlement or survey, the specification of such boundaries or numbers and the specification of the defaulter's share or interest in such property to the best of the belief of the decree-holder and so far as eh has been able to ascertain it.
- (b) The demand notice issued by the recovery officer under sub-rule (3) shall contain the name of the judgement debtor, the amount due, including the expenses, if any, and the batta to be paid to the person who shall serve the demand notice the time

allowed for payment and in case of non-payment, the particulars of the properties to be attached and sold or to be sold without attachment, as the case may be. After receiving the demand notice, the Sale Officer shall serve or cause to be served a copy of the demand notice upon the judgement debtor or upon some adult male member of his family at his usual place of residence, or upon his authorised agent or if such personal service is not possible, shall affix a copy thereof on some conspicuous part of such immovable property to be attached and sold or sold without attachment, as the case may be:

- (c) If the judgement debtor fails to pay the amount specified in the demand notice within the time allowed, the Sale Officer shall proceed to attach and sell or sell without attachment, as the case may be, the immovable property mentioned in the application for execution in the following manner.
- (d) Where attachment is required before sale, the Sale Officer shall, if possible cause a notice of attachment to be served on the judgement debtor personally. Where personal service is not possible, the notice shall be affixed in some conspicuous part of the judgement debtor's last known residence, if any. The fact of attachment shall also be proclaimed by beat of drum or other customary mode at some place on, or adjacent to, such property and at such other place or places as the recovery officer may consider necessary to give due publicity to the sale. The attachment notice shall set forth that, unless the amount due with interest and expenses be paid within the date therein mentioned, the property will be brought to sale. A copy of attachment notice shall be sent to the decree-holder. Where the Sale Officer so directs the attachment shall also be notified by public proclamation in the Official Gazette.
- (e) Proclamation of sale shall be published by affixing a notice in the office of the recovery officer and the taluk office at least thirty days before the date fixed for the sale and also by beat of drum in the village (on two consecutive days previous to the date of sale and on the day of sale prior to the commencement of the sale). Such proclamation shall, where attachment is required before sale, be made after the attachment has been effected. Notice shall also be given to the decree-holder and the judgement debtor. The proclamation shall state the time and place of sale and specify as fairly and accurately as possible, the following namely –
 - (i) the property to be sold;
 - (ii) any encumbrances to which the property is liable;

- (iii) the amount for the recovery of which sale is ordered; and
 - (iv) every other matter which the Sale Officer considers material for a purchaser to know in order to judge the nature and value of the property.
- (f) When any immovable property is sold under these rules, the sale shall be subject to the prior encumbrances on the property, if any. The decree-holder shall, when the amount for the realisation of which the sale is held exceeds rupees one hundred, furnish to the Sale Officer within such time as may be fixed by him or by the recovery officer, an encumbrance certificate from the Registration Department for the period of not less than twelve years prior to the date of attachment of the property sought to be sold, or in cases falling under the proviso to sub-rule (10), prior to the date of the application for execution. The time for production of the encumbrance certificate may be extended at the discretion of the Sale Officer or the recovery officer, as the case may be. The sale shall be by public auction to the highest bidder:

Provided that it shall be open to the Sale Officer to decline to accept the highest bid where the price offered appears to be unduly low or for other adequate reasons:

Provided further that the recovery officer or the Sale Officer may in his discretion adjourn the sale to a specified day and hour recording his reason for such adjournment. Where a sale is so adjourned for a longer period than seven days, a fresh proclamation under clause (e) shall be made, unless the judgement debtor consents to waive it. The sale shall be held after the expiry of not less than thirty days calculated from the date on which notice of the proclamation was affixed in the office of the recovery officer. The time and place of sale shall be the village where the property to be sold is situated or such adjoining prominent place of public resort as may be fixed by the recovery officer:

Provided also that in cases where an encumbrance certificate is not obtainable owing to the destruction of the connected records, an affidavit from the village patwari or corresponding officer in regard to the encumbrances known to him supported by a certificate from the Registration Department that the encumbrances certificate cannot be granted owing to the destruction of the connected records, shall be accepted in place of an encumbrance certificate.

- (g) A sum of money equal to fifteen per cent of the price of the immovable property shall be deposited by the purchaser in the hands of the Sale Officer at the time of the purchase and in

default of such deposit, the property shall forthwith be resold:

Provided that where the decree-holder is the purchaser and is entitled to set off the purchase money under clause (k), the Sale Officer shall dispense with the requirement of this clause.

- (h) The remainder of the purchase money and the amount required for the general stamp for the sale certificate shall be paid within fifteen days from the date of sale:

Provided that the time for payment of the cost of the stamps may, for good and sufficient reasons, be extended at the discretion of the recovery officer up to thirty days from the date of sale:

Provided further that in calculating the amounts to be paid under this clause, the purchaser shall have the advantage of any set off to which he may be entitled under clause (k).

- (i) In default of payment within the period mentioned in clause (h) the deposit may, if the recovery officer thinks fit, after defraying the expenses of sale, be forfeited to the Central Government and the defaulting purchaser shall forfeit all claims to the property or to any part of the sum for which it may subsequently be sold.
- (j) Every resale of immovable property in default of payment of the amount mentioned in clause (h) within the period allowed for such payment shall be made after the issue of a fresh proclamation in the manner and for the period herein before prescribed for the sale.
- (k) Where a decree-holder purchases the property, the purchase money and the amount due on the decree shall be set off against one another, and the Sale Officer shall enter satisfaction of the decree in whole or in part accordingly.

- (12) Where prior to the date fixed for a sale, the defaulter or any person acting on his behalf or any person claiming an interest in the property sought to be sold tenders payment of the full amount due together with interest, batta and other expenses incurred in bringing the property to sale including the expenses of attachment, if any, the Sale Officer shall forthwith release the property after cancel, where the property has been attached, the order of attachment.

- (13) (a) Where immovable property has been sold by the Sale Officer, any person either owning such property or holding an interest therein by virtue of a title acquired before such sale may apply to have the sale set aside on his depositing with the recovery officer –

- (i) for payment to the purchaser a sum equal to five per cent of the purchase money, and
 - (ii) for payment to the decree-holder, the amount of arrears specified in the proclamation of sale as that for the recovery of which the sale was ordered together with interest thereon and the expenses of attachment, if any, and sale and other costs due in respect of such amount, less amount which may since the date of such proclamation have been received by the decree-holder.
- (b) If such deposit and application are made within thirty days from the date of sale, the recovery officer shall pass an order setting aside the sale and shall repay to the purchaser, the purchase money so far as it has been deposited, together with five per cent deposited by the applicant:

Provided that if more than one person have made deposit and application under this sub-rule, the application of the first depositor to the officer authorised to set aside the sale, shall be accepted.

- (c) If a person applies under sub-rule (14) to set aside the sale of immovable property, he shall not be entitled to make an application under this sub-rule.
- (14) (i) At any time within thirty days from the date of sale of immovable property, the decree-holder or any person entitled to share in a rate able distribution of the assets or whose interests are effected by the sale, may apply to the recovery officer to set aside the sale on the ground of a material irregularity or mistake or fraud in publishing or conducting it:
- (ii) If the application is allowed, the recovery officer, shall set aside the sale and may direct a fresh one.
 - (iii) On the expiration of thirty days from the date of sale if no application to have the sale set aside is made or if such application has been made and rejected, the recovery officer shall make an order confirming the sale:

Provided that if he shall have reason to believe that the sale ought to be set aside notwithstanding that no such application has been made or on grounds other than those alleged in any application which has been made and rejected, he may, after recording his reasons in writing, set aside the sale.

- (iv) Whenever the sale of any immovable property is not so confirmed or is set aside, the deposit or the purchase money,

as the case may be, shall be returned to the purchaser.

- (v) After the confirmation of any such sale, the recovery officer shall grant a certificate of sale bearing his seal and signature to the purchaser, and such certificate shall state the property sold and the name of the purchaser and it shall be conclusive evidence of the fact of the purchase in all courts and tribunals, where it may be necessary to prove it and no proof of the seal or signature of the recovery officer shall be necessary unless the authority before whom it is produced shall have reason to doubt its genuineness.
 - (vi) An order made under this sub-rule shall be final, and shall not be liable to be questioned in any suit or other legal proceedings.
- (15) Where any lawful purchaser of immovable property is resisted and prevented by any person other than a person (not being the judgement debtor) claiming in good faith to be in possession of the property on his own account from obtaining possession of the immovable property purchased any court of competent jurisdiction on application, and production of the certificate of sale provided for by sub-rule (14) shall cause the proper process to be issued for the purpose of putting such purchaser in possession, in the same manner as if the immovable property purchased has been decreed to the purchaser by a decision of the court.
- (16) It shall be lawful for the Sale Officer to sell the whole or any portion of the immovable property of a judgement debtor in discharge of money due:
- Provided that so far as may be practicable, no larger section or portion of immovable property shall be sold than may be sufficient to discharge the amount due with interest and expenses of attachment, if any, and sale.
- (17) Persons employed in serving notice or in other process under these rules shall be entitled to batta at such rates as may from time to time be fixed by the recovery officer.
- (18) Where the costs and charges incurred in connection with attachment and sale of movable property or the attachment and sale or sale without attachment of immovable property under this rule, exceeds the amount of the cost deposited from the sale proceeds of the property sold or the money paid by judgement debtor, as the case may be, and the balance shall be made available to the decree-holder.
- (19) Every person making a payment towards any money due for the recovery of which application has been made under this rule shall

be entitled to a receipt for the amount signed by the Sale Officer or other officer empowered by the recovery officer in that behalf; such receipt shall state the name of the person making the payment and the subject matter in respect of which the payment is made.

- 20) (a) Where any claim is preferred to, or any objection is made to the property attached under this rule on the ground that such property is not liable to such attachment, the Sale Officer shall investigate the claim or objection and dispose it of on the merits:

Provided that no such investigation shall be made when the Sale Officer considers that the claim or objection is frivolous,

- (b) Where the property to which the claim or objection relate has been advertised for sale, the Sale Officer may postpone the sale pending the investigation of the claim or objection.
- (c) Where a claim or an objection is preferred, the party against whom an order is made may institute a suit to establish the right which the claim to the property in dispute, but, subject to the result of such suit, if any, the order shall be conclusive.
- (21) (i) Any deficiency of price which may arise on a resale held under clause (j) of sub-rule (11) by reason of the purchaser's default and all expenses attending such resale shall be certified by the Sale Officer to the recovery officer and shall, at the instance of either the decree-holder or the judgement debtor be recoverable from the defaulting purchaser under the provisions of this rule. The cost, if any, incidental to such recovery shall be borne by the defaulting purchaser.
- (ii) Where the property may on the second sale, sell for a higher price than at the first sale, the defaulting purchaser at the first sale, shall have no claim to the difference or increase.

- (22) Where any property has been attached in execution of a decree, but by reason of the decree-holder's default the recovery officer is unable to proceed further with the application for execution, he shall either dismiss the application or for any sufficient reason adjourn the proceedings to a future date. Upon the dismissal of such application, the attachment shall cease.

- (23) Where assets are held by the Sale Officer and before the receipt of such assets, demand notices in pursuance of application for execution of decree-against the same defaulter have been received from more than one decree-holder and decree-holders have not obtained satisfaction, the assets after deducting the costs or realisation shall be rateably distributed by the Sale Officer among all such decree-holders in the manner provided in section 73 of the

Code of Civil Procedure 1908 (5 of 1908).

- (24) Where a defaulter dies before the decree has been fully satisfied, an application under sub-rule (1) may be made against the legal representative of the deceased and thereupon all the provisions of this rule shall, save as otherwise provided in this sub-rule, apply as if such legal representative were the judgement debtor. Where the decree is executed against such legal representative, he shall liable only to the extent of the property of the deceased which has come to his hands and has not been duly disposed of, and for the purpose of ascertaining such liability, the recovery officer executing the decree may, of his own motion or on the application of the decree-holder compel such legal representative to produce such accounts as he thinks fit.

38. Repeal and saving