

REPUBLIC OF ZAMBIA

THE CO-OPERATIVE SOCIETIES ACT

CHAPTER 397 OF THE LAWS OF ZAMBIA

THE CO-OPERATIVE SOCIETIES ACT

ARRANGEMENT OF SECTIONS

PART I PRELIMINARY

Section

1. Short title
2. Interpretation

PART II RESPONSIBILITIES OF THE MINISTER

Section

3. Encouragement of co-operative development
4. Responsibilities of Minister
5. Information on co-operation
6. Persons required to furnish information to Minister
7. Annual report on societies

PART III PUBLIC OFFICERS

Section

8. Director
9. Registrar

PART IV REGISTRATION AND ORGANISATION OF CO-OPERATIVE SOCIETIES

Section

10. Procedure for registration
11. Requirements before registration
12. Certificate of registration
13. Societies to be bodies corporate
14. Conversion of a company into a society
15. Limited liability
16. Display of registered name
17. Dealers or traders not to register under this Act
18. Registrar may require societies to form or join a co-operative union
19. Powers of societies
20. By-laws
21. Amendments to by-laws
22. Copy of Act, rules and by-laws to be open to inspection
23. Reserve fund and distribution of net surplus
24. Kinds of societies not restricted

PART V SOCIETIES FOR RURAL DEVELOPMENT

Section

25. Co-operative marketing
26. Distribution of agricultural requisites, etc.
27. Co-operative farming
28. Multi-purpose societies
29. Society as agent of marketing board
30. Allotment of shares in lieu of patronage bonus or other payment
31. Borrowing of patronage bonus or other payment
32. Marketing contracts
33. Encouragement of thrift
34. Registration of by-laws to encourage thrift
35. Provision of credit by agricultural societies
36. Board of directors to supervise credit and loans

37. Registration of by-laws for the provision of agricultural credit
38. A society may combine thrift services with the provision of credit
39. Farm machinery and related services
40. Assistance to livestock, dairy and poultry producers, etc.
41. Land improvement services
42. Special provisions in the by-laws
43. Advisory or supervisory services for farmers
44. Storage of agricultural products
45. Transportation of agricultural products and farm supplies

PART VI CO-OPERATIVE SERVICES FOR PRODUCERS OF NATURAL PRODUCTS

Section

46. Co-operative services for producers of natural products

PART VII BUILDING CONSTRUCTION AND HOUSING SOCIETIES

Section

47. Building construction society
48. Housing society
49. Special powers
50. Commencement of operations
51. Special features
52. Sinking fund

PART VIII CREDIT UNIONS

Section

53. Objects of a credit union
54. Name
55. Membership generally
56. Membership of certain organisations
57. Powers of a credit union
58. Borrowing powers of a credit union
59. Commencement of lending operations
60. Land and buildings
61. Election and appointment of officers
62. Special duties of directors
63. Jurisdiction of credit committee
64. Loans by credit unions

65. Maximum of loans to a member
66. No loans in certain cases
67. Restrictions on making loans in certain cases
68. Approval of loans for certain purposes
69. Restrictions on loans to officers
70. Prohibitions
71. Unauthorised loans prohibited
72. Rates of interest on loans
73. Reports of credit committee
74. Duties of supervisory committee
75. Engagement of auditor for a credit union
76. Shares in credit union
77. Members' deposits and withdrawals
78. Cash reserve to meet withdrawals
79. Distribution of net surplus of credit union

PART IX ARTISANS', CRAFTSMEN'S AND CONTRACTING SOCIETIES

Section

80. Production, manufacture and sale of goods
81. Special provisions in the by-laws

PART X CONSUMERS' SOCIETIES

Section

82. Consumers' societies
83. Special provisions in the by-laws
84. Special responsibilities of directors of a consumers' society
85. Credit controlled by directors
86. Qualifications for election in certain cases
87. Application of Part X

PART XI COMMUNITY SERVICE SOCIETIES

Section

88. Community buildings, facilities or services
89. No dividends on capital or patronage bonus
90. Provision of health services

PART XII FEDERATIONS

Section

91. Objects
92. Use of the word "co-operative"

PART XIII MEMBERSHIP

Section

93. Membership governed by by-laws
94. Who may be members
95. Rights of minors
96. Member not to exercise rights until due payment made
97. Certificate of membership
98. Lien on members' shares
99. Certain societies to furnish statements to members
100. Every society to keep a membership register
101. Votes of members and delegates
102. Contracts with minors
103. Limitation on share holdings
104. Assignment, transfer and re-purchase of shares
105. Shares or interest not attachable
106. Transfer of interest on death of member
107. Liability of past member and estate of deceased member for debts of society
108. Creation of charges in favour of societies
109. Withdrawal by members
110. Expulsion of a member

PART XIV DIRECTORS

Section

111. Board of directors (or committee)
112. Effect of election of directors by districts
113. Duties and powers of directors
114. Officers
115. Term of office
116. Directors must be members
117. Vacancy on board of directors
118. Vacation of office of director
119. Liability of directors or other officers for unlawful transactions

- 120. Meetings of directors
- 121. Security
- 122. Removal from office

PART XV MEETINGS

Section

- 123. Annual and other general meetings
- 124. Special meetings
- 125. Registrar may prescribe manner of calling meetings
- 126. Quorum
- 127. Power of Registrar to call meetings
- 128. Authority of the members

PART XVI CHARGES BY SOCIETIES

Section

- 129. Registration
- 130. Registration of enforcement of security and filing of accounts
- 131. Rectification of register of charges
- 132. Entry of satisfaction
- 133. Failure to send particulars for registration
- 134. Society's register of charges
- 135. Right to inspect copies of instruments and register of charges
- 136. Perpetual charges

PART XVII ADMINISTRATION OF SOCIETIES

Section

- 137. Registered office
- 138. Seal
- 139. Books and records
- 140. Audit and investigation by Registrar
- 141. When public accountant required as auditor
- 142. Power of Registrar to inspect societies' books, etc.
- 143. Yearly and other returns

PART XVIII AMALGAMATION AND DIVISION OF SOCIETIES

Section

- 144. Amalgamation of societies
- 145. Division of societies

PART XIX DISSOLUTION AND WINDING-UP

Section

- 146. Dissolution of societies
- 147. Liquidation after cancellation of registration
- 148. Liquidator's powers
- 149. Power of Registrar to control liquidation
- 150. Appeals against decisions
- 151. Enforcement of decisions
- 152. Limitation of the jurisdiction of the civil court
- 153. Closure of liquidation

PART XX DISPUTES

Section

- 154. Settlement of disputes
- 155. Case stated on question of law

PART XXI RULES

Section

- 156. Purpose and contents of rules

PART XXII ORGANISATION AND SUPERVISION

Section

- 157. Assistance with co-operative organisation and education
- 158. Inspection and advisory services by Registrar, etc.
- 159. Registrar may supply by-laws
- 160. Inspection of records
- 161. Appointment of special directors and other officers
- 162. Removal of directors and other officers
- 163. Appointment of administrator
- 164. Board of review

PART XXIII MISCELLANEOUS

Section

- 165. Recovery of sums due to Government
- 166. Special exemptions
- 167. Power to exempt societies from provisions of this Act
- 168. Prohibition of the use of the words "co-operative" or "credit union"
- 169. Companies Act not to apply
- 170. Offences and penalties
- 171. Misdealings with property
- 172. Repeal and savings

FIRST SCHEDULE-Powers of Societies

SECOND SCHEDULE-Matters required to be in the by-laws of a society

CHAPTER 397

CO-OPERATIVE SOCIETIES

An Act to provide for the registration, inspection, examination and supervision of co-operative societies which belong to the people who use their services, the control of which rests equally with all their members, and the gains from which are distributed among the members in proportion to the use they make of these services or their interest in their society; to repeal the Co-operative Societies Ordinance; to provide that co-operative societies registered under the Act repealed by this Act shall continue in existence and in operation as if registered under this Act; to encourage co-operative development by the provision of services to assist the organisation and operation of various kinds of co-operative societies to meet the economic and social needs of their members on a self-help basis; and to provide for all matters incidental to the foregoing.

**63 of 1970
13 of 1994**

[1st March, 1972]

PART I PRELIMINARY

1. This Act may be cited as the Co-operative Societies Act.

Short title

2. In this Act, unless the context otherwise requires-

Interpretation

"agricultural product" means any product of agriculture, including grain and seed, maize, groundnuts, cotton, tobacco and other field crops, livestock and livestock products, fruit and fruit products, vegetables and vegetable products, honey and any article wholly or partially processed or otherwise derived therefrom;

"agricultural requisites" means supplies needed for agricultural production, and includes building materials, fertiliser, dip, veterinary preparations, seed, animal feeding stuffs, breeding stock, draught animals, planting material, farm implements, hand tools, fencing materials, petroleum products, and other supplies and equipment normally used in agricultural production;

"board of directors" means the governing body of a society to whom the supervision and the direction of its affairs are entrusted by the members;

"by-laws" means the registered by-laws of a society, having been passed by the members and approved by the Registrar, and includes amendments thereto;

"co-operative principles", except as otherwise provided in this Act, means the following principles and methods used in the operation and administration of a society:

- (i) each member or delegate has one vote;
- (ii) there is no voting by proxy;
- (iii) race, creed or political beliefs are no bar to voluntary membership and, subject to this Act, membership is open to all who can use the services of a society;
- (iv) the services of a society are mainly for its members;
- (v) the dividend on share capital shall not exceed six *per centum per annum*;
- (vi) the services are available as nearly as possible at cost, allowing for the fact that, except where otherwise provided in this Act, the rules or the by-laws, the savings arising from yearly operations are paid to members, or members and non-member patrons, in the form of patronage bonus, in proportion to the use made of the services, or to the supply of labour or other contributions made by members and non-member patrons;

"co-operative union" means a society, the membership of which is comprised of societies operating in the same general locality;

"delegate" means-

- (a) a representative of a society, which is itself a member of another society, the meetings of which such representative has been elected or appointed to attend, and at which he is entitled to vote under the by-laws of that other society;
- (b) a representative of members residing in a particular district, or of a particular group or class of members, who has received a mandate to vote at a meeting of their society from such members, group or class in accordance with the provisions of the by-laws of the society;

"dividend" means a member's share of the net surplus divided amongst the members in the same proportion as the paid-up share capital held by them in the society;

"federation" mean a society the membership of which is restricted to societies, co-operative unions and federations thereof;

"member" means a person who, or other society which, in terms of the by-laws of a society is entitled to vote at meetings of that society;

"natural product" means any product of forest, lake, river, mine or quarry, and any article wholly or partially derived therefrom, and includes fish and fish products, lumber and wood products, fuel and construction materials;

"net surplus" means such portion of the total income received by or accrued to a society during any year as remains after deductions have been made for all expenditure incurred during that year, and adequate provision has been made for depreciation, bad debts, tax liability and reserve funds;

"non-member patron" means a person, not being a member, who uses the services of a society to such extent as may be provided for in the by-laws;

"officer" means Chairman, Vice-Chairman, member of the board of directors or of any committee, Secretary, Treasurer, employee or other person, empowered under this Act, the rules or the by-laws to give direction or supervision respecting the business of a society;

"patronage bonus" means a share of the net surplus of a society divided amongst the members or, if the by-laws so provide, amongst the members and non-member patrons, in proportion to the use made of the services of the society, or the value of labour provided or other contributions made to the society;

"Registrar" means the Registrar of Co-operative Societies appointed under section *nine*;

"rules" means the rules made under this Act;

"society" means a co-operative society registered under this Act or heretofore registered as such under any former written law;

"special resolution" means a resolution passed by a three-quarter majority of the members, or delegates, or members and delegates, as the case may be, present at a meeting of a society called for the purpose, and of which at least twenty-one clear days' notice in writing was given together with a copy of the proposed resolution.

PART II RESPONSIBILITIES OF THE MINISTER

3. The Minister shall take such measures as he deems advisable for the encouragement generally of co-operative development for economic, social and cultural purposes and human advancement on the basis of self-help and, in particular, but without limiting the generality of the foregoing, for the encouragement of the organisation of co-operative societies as a means of-

**Encouragement
of co-operative
development**

- (a) improving the economic situation of their members;
- (b) contributing to the economy an increased measure of democratic control of economic activity;
- (c) increasing personal and national capital resources by the encouragement of thrift, the prevention of usury and the wise use of credit;
- (d) increasing incomes and employment by a fuller utilisation of resources, including the bringing of new land into productive use, the marketing and processing of agricultural and natural products, the development of local industries and processing of raw materials;
- (e) improving social and cultural conditions and, where appropriate, providing supplementary services in housing, health, education and communications;
- (f) raising the level of general and technical knowledge of members of societies.

4. In encouraging co-operative development and in carrying out the provisions of this Act, the Minister shall take, authorise or approve such measures as he deems necessary to-

**Responsibilities
of Minister**

- (a) assist the organisation of co-operative societies among persons or groups who desire to provide themselves with, or to market, commodities or services, or both, on a co-operative self-help basis;
- (b) facilitate the financing of societies, where necessary for their establishment and operation, by the provision of, or arrangement for, loans, guarantees of loans, or otherwise;
- (c) provide for such advice as may be necessary to assist officers and members of societies to achieve their objects;
- (d) institute inquiry into and collect, classify and analyse information and statistics relating to societies and co-operative development;
- (e) establish or facilitate the establishment of a research service or services for inquiry generally into the operation of societies, and for investigation and analysis of economic, social and other problems as may be deemed advisable to lead to the encouragement of new or improved methods of co-operative development, including-
 - (i) production of agricultural or natural products and the processing and marketing of such products;
 - (ii) industrial development, manufacturing and marketing and sale by wholesale;
 - (iii) credit, investment and business finance;
 - (iv) wholesaling and retailing of goods and services;
 - (v) community and welfare services on a co-operative basis;
- (f) issue from time to time such reports, circulars and other publications relating to societies and co-operative development as may be deemed advisable;
- (g) provide or authorise such other service as may be necessary in carrying out the provisions of this Act.

5. The Minister shall disseminate, or arrange for the dissemination of, information relating to co-operation and co-operative development in such manner and form as may be found best suited to promote interest in and understanding of co-operative principles and practices with a view to the encouragement of the organisation of co-operative societies based on self-help.

**Information
on co-
operation**

6. (1) All officers of societies to which this Act applies shall furnish the Minister with such information as he may from time to time require.

**Persons required to
furnish information
to Minister**

(2) An officer who fails to comply with a request of the Minister under subsection (1), or who knowingly makes a statement, false in any material particular, in any information furnished to the Minister, shall be guilty of an offence.

7. Within a period of six months after the close of the financial year, an annual report respecting the operations of societies registered under this Act shall be prepared under the direction of the Minister and included in the annual report of the Minister laid before the National Assembly.

**Annual report
on societies**

PART III PUBLIC OFFICERS

8. (1) There shall be a Director of Co-operative Societies for the purposes of this Act, who shall be a public officer and who shall be responsible for providing and administering the services required by societies for their organisation, registration, operation and advancement and for carrying out the provisions of this Act.

Director

(2) There may be appointed a Deputy Director of Co-operative Societies and such other public officers as may be necessary to assist the Director in carrying out his functions.

9. (1) There shall be a Registrar of Co-operative Societies who shall be a public officer and who shall exercise such powers and perform such duties as are prescribed in this Act.

Registrar

(2) There shall be a Deputy Registrar of Co-operative Societies (hereinafter referred to as the "Deputy Registrar") and one or more Assistant Registrars for the purposes of this Act, who shall be public officers and who shall exercise such functions and perform such duties as may be prescribed by or under this Act.

(3) The Registrar may, subject to the provisions of this Act and to the general or special directions of the Director of Co-operative Societies, delegate any of his functions under this Act to the Deputy Registrar or to an Assistant Registrar.

(4) Any power conferred or duty imposed by or under this Act on the Registrar, or delegated to him by the Director of Co-operative Societies, may be exercised or carried out by the Deputy Registrar if the Registrar is unable to exercise that power, or himself carry out that duty, due to illness or absence.

PART IV REGISTRATION AND ORGANISATION OF CO-OPERATIVE SOCIETIES

10. (1) Any ten or more persons, or two or more societies, desiring to associate themselves together to form a society in accordance with co-operative principles, with or without capital divided into shares, may, on payment of the prescribed fee and subject to the approval of the Registrar, be registered under this Act with limited liability.

**Procedure
for
registration**

(2) An application for registration as a society shall be made to the Registrar in the prescribed form and be subject to the rules.

(3) Where the application is made by two or more societies, at least two duly authorised officers of each society shall sign the application which shall be accompanied by the resolution of each society concerned approving the application for registration.

(4) Each application for registration shall be accompanied by copies of the by-laws of the proposed society.

11. (1) Before approving registration, the Registrar may require such additional information about the proposed society as he deems necessary, including-

**Requirements
before registration**

- (a) the economic or other need for the organisation of the society;
- (b) the educational and advisory work respecting co-operative principles and the organisation and operations already being carried on amongst the applicants for registration and other persons expected to become members;
- (c) the number of persons expected to become members upon the commencement of operations;
- (d) whether the capital to be furnished initially by the applicants for registration and other persons expected to become members is sufficient for the commencement of operations;
- (e) the availability of officers capable of directing and managing the affairs of the society, and of keeping such records and books of account for the society as the Registrar may require.

(2) If, as a result of the information provided to him under subsection (1), the Registrar is of the opinion that the applicants for registration and other persons expected to become members require more educational and advisory work respecting co-operative principles and the organisation and operation of a society, or the expected membership appears to be too small for the satisfactory commencement of operations, or more time is necessary to raise the capital initially required, or that more training is advisable for persons expected to become officers, he may delay his approval of registration in order to prescribe more educational and advisory work, or discussion of the objects of the society with more persons who could be expected to benefit from membership, or more time to raise the capital initially required, or more training, as the case may be.

(3) If, as a result of the information provided to him under subsection (1), or notwithstanding any action taken under subsection (2), the Registrar is of the opinion that registration is not economically advisable or he is otherwise unwilling to approve registration, he shall give specific reasons therefor to the Minister and to the applicants for registration.

(4) An appeal against refusal to register the society shall lie to the Minister within ninety days of such refusal.

12. (1) If the Registrar approves registration, he shall issue a certificate of registration to the society, together with a copy of the by-laws certified by him as having been duly approved and registered.

**Certificate
of
registration**

(2) A certificate or registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered, unless it is proved that the registration of the society has been cancelled.

(3) No society shall be registered under a name identical with that of another society or so nearly resembling the same as to be likely to deceive.

(4) The word "limited" shall be the last word in the name of every society and, except as otherwise provided in this Act, the word "co-operative" shall form part of the name of every society.

13. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal and with limited liability, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary to achieve its objects in the exercise of the powers available to it under the provisions of this Act, the rules and its by-laws.

**Societies to be
bodies corporate**

14. (1) A company registered under the Companies Act (or any Act which replaces it) may, by a special resolution as defined in that Act (or replacing enactment), determine to convert itself into a society.

**Conversion of
a company
into a society.
Cap. 388**

(2) Such a resolution shall be accompanied by copies of the by-laws of the proposed society therein referred to, and shall appoint ten persons, being members of the company, who together with the Secretary shall sign the by-laws, and who may either be authorised to accept any alterations made by the Registrar therein without further consultation with the company, or may be required to lay all such alterations before the company in general or special meeting as the resolution may direct.

(3) A copy of such resolution, signed by the Chairman of the meeting at which it was passed and the Secretary, shall, with the by-laws, be sent to the Registrar, who thereupon shall deal with the resolution as an application for registration of a society under this Act.

(4) After the receipt of such resolution and such by-laws and of such information as he may require under section *eleven*, the Registrar may-

- (a) if satisfied that the company will be operated in accordance with co-operative principles, register the company as a society; or
- (b) refuse registration, giving specific reasons therefor to the company and to the Minister as required under section *eleven*.

(5) An appeal against refusal to register the company as a society shall lie to the Minister within ninety days of such refusal.

(6) (a) Upon the registration of a company as a society, the Registrar shall issue a certificate of registration to the society together with a copy of the by-laws certified by him as having been duly approved and registered.

(b) A copy of such resolution under the seal of the company together with the certificate issued as aforesaid shall be sent by the company's secretary to the Registrar of Companies and, upon his registering that resolution and certificate, the conversion shall take place; the Registrar of Companies shall notify the said Secretary in writing of the date and time of this registration.

(c) The name under which any company is registered under these provisions as a society shall not include the word "company".

(d) Subject to paragraph (e), upon the conversion of a company into a society, the registration of the company as such shall become void and shall be cancelled by the Registrar of Companies.

(e) The registration of a company as a society shall not affect any right or claim for the time being subsisting against the company nor any penalty for the time being incurred by the company; and-

- (i) for the purposes of enforcing any such right, claim or penalty, the company may be sued and proceeded against in the same manner as if it had not been registered as a society;
- (ii) any such right or claim and the liability to any such penalty shall have priority as against the property of the society over all other rights or claims against or liabilities of the society.

15. Every member shall be individually liable to the creditors of a society for the debts and liabilities of the society in a sum not exceeding the amount, if any, unpaid on the shares allotted to him, if any, or on his membership fee, as the case may be, until the whole amount of his shares or membership fee has been paid up.

Limited liability

16. Every society shall cause its registered name to be painted or affixed, and to be kept painted or affixed, in a conspicuous position and in letters easily legible, on the outside of its registered office and every other office or place in which the business of the society is carried on, and shall have that name engraved in legible characters on its seal, and mentioned in legible characters-

Display of registered name

- (a) in all notices, advertisements and other official publications of the society;
- (b) in all business letters of the society;
- (c) in all bills of exchange, promissory notes, endorsements, cheques, and orders for money or goods, purporting to be signed by or on behalf of the society;
- (d) in all bills, invoices, receipts and letters of credit of the society.

17. Notwithstanding the other provisions of this Act, a group of persons who desire to associate themselves together in trade or business primarily for gain, without provision for the distribution of profits amongst customers in proportion to patronage, shall not be registered as a society.

Dealers or traders not to register under this Act

18. Where the Registrar, after investigation, considers it to be in the interests of the members of a society or necessary to achieve the objects of a society, he may, by notice in writing served on the societies or society, as the case may be-

Registrar may require societies to form or join a co-operative union

- (a) recommend or require any two or more societies to form and apply for the registration of a co-operative union; or
- (b) recommend or require any society to join a co-operative union.

19. Subject to this Act, the rules and the by-laws, a society shall have, as ancillary and incidental to the object or objects set forth in its by-laws, the powers contained in the First Schedule, but nothing shall preclude a society from including in its by-laws, subject to the approval of the Registrar, any powers in addition to, or from excluding or modifying, those mentioned in the First Schedule.

Powers of societies

20. The by-laws of every society shall include provision in respect of the matters mentioned in the Second Schedule.

By-laws

21. (1) The by-laws of a society may be amended by cancellation, alteration or addition thereto by a resolution of a two-thirds majority of members or delegates, or members and delegates, as the case may be, present at a duly called general meeting.

Amendments to by-laws

(2) Save as hereinafter provided, no amendment to the by-laws shall be valid until the amendment has been registered under this Act, for which purpose three copies of the amendment signed by the Chairman of the last-mentioned meeting and the Secretary shall be forwarded to the Registrar.

(3) If the Registrar is satisfied that the amendment is not contrary to this Act and the rules, and if he otherwise approves it, he may register the amendment.

(4) Where it is deemed expedient that the members or delegates, or members and delegates, to be present at a meeting of the society at which a proposed amendment to the by-laws is to be submitted for their approval, should take action at the same meeting towards implementing the proposed amendment, the Registrar may approve the proposed amendment prior to the meeting, and, if the proposed amendment is adopted as it stands, it shall have immediate force and effect:

Provided, however, that as soon as possible thereafter copies of the resolution containing the amendment shall be forwarded to the Registrar for registration in accordance with subsection (2).

(5) After approval by the Registrar, a copy of every amendment, certified under the hand of the Registrar as approved and registered, shall be returned by him to the society.

22. Every society shall keep a copy of this Act, the rules, its by-laws and a list of its members open to inspection, free of charge, at all reasonable times at the registered office of the society.

Copy of Act, rules and by-laws to be open to inspection

23. (1) Every society which derives a surplus from its yearly transactions shall maintain a reserve fund, the constitution and operation of which shall be provided for in the by-laws.

Reserve fund and distribution of net surplus

(2) Except as otherwise provided in this Act, and unless the by-laws provide that the net surplus derived by a society from its operations shall be set aside in one or more reserve funds, or for the maintenance of further development of the services provided by the society, or donated to local organisations with objectives beneficial to the community, every society shall, after making the necessary provision for the reserve fund or funds, for any dividend payable on any share capital and for any amount for educational purposes, distribute such surplus, within a period of twelve months from the close of its financial year, as payment of patronage bonus in the manner provided for in its by-laws.

24. The kinds of societies which may be formed and registered under the provisions of this Act are not restricted to the kinds of societies mentioned in the following Parts V to XII.

**Kinds of societies
not restricted**

PART V SOCIETIES FOR RURAL DEVELOPMENT

25. A society may be registered primarily to undertake and carry on all kinds of business operations connected with the marketing, collecting, receiving, taking delivery of, buying, handling, feeding, fattening, finishing, slaughtering, preserving, harvesting, drying, processing, manufacturing, canning, cleaning, grading, storing, transporting, selling, or otherwise disposing of or utilising any agricultural product produced or delivered to it by its members or non-member patrons, or connected with the manufacturing or buying, selling or marketing of the by-products thereof.

**Co-
operative
marketing**

26. A society may be registered primarily to undertake and carry on all kinds of business operations connected with the purchasing, procuring, processing, manufacturing, exchanging, hiring, dealing in and distributing agricultural requisites, consumer goods and household necessities for sale at retail to its members or non-member patrons:

**Distribution of
agricultural
requisites, etc.**

Provided that where the society is a co-operative union or a federation, it may sell such agricultural requisites, consumer goods and household necessities at wholesale to its member societies.

27. (1) A society may be registered primarily for the purpose of providing farming services to its members, including-

Co-operative farming

- (a) purchasing, taking on lease or otherwise acquiring, developing, maintaining and operating land as a farming enterprise on behalf of its members; or

- (b) purchasing; taking on lease or otherwise acquiring land for farming purposes and using such land by-
 - (i) dividing a portion thereof amongst its members, by sale, lease or otherwise, for their individual use and operation as producers of agricultural products; and
 - (ii) developing, maintaining and operating the remainder of such land as a farming enterprise on behalf of its members.

(2) In addition to the objects mentioned in paragraph (a) or (b) of subsection (1), a society registered for the purpose of providing farming services to its members may have one or more of the following further objects:

- (a) marketing agricultural products produced by the society on behalf of its members and produced by its members on their own account;
- (b) purchasing agricultural requisites, consumer goods and household necessities required by the society and its members;
- (c) encouraging thrift among its members by the acceptance of savings deposits in accordance with section *thirty-three*;
- (d) providing credit for its members in accordance with section *thirty-five*;
- (e) providing housing and services relating thereto for the use of its members.

28. A society may be registered to undertake and carry on all kinds of business and operations connected with the co-operative marketing of agricultural products as provided in section *twenty-five*, for the handling of agricultural requisites, consumer goods and household necessities as provided in section *twenty-six*, and for one or more of the objects listed in section *twenty-seven*.

**Multi-
purpose
societies**

29. A society marketing agricultural products, handling agricultural requisites or providing farming services to its members, may be appointed as agent of any marketing board or other authority established by law for the purpose of marketing agricultural products or distributing agricultural requisites.

**Society as agent
of marketing
board**

30. The by-laws of a society marketing agricultural products, handling agricultural requisites or providing farming services to its members may provide that, in lieu of the payment in cash of amounts deducted from the sale or resale price of agricultural products delivered to the society, or of a patronage bonus, the society may allot to its members shares of capital, and upon such allotment each member shall be deemed to have made an application for the said shares, and agreed to pay therefor by the application of such amounts or of such bonus towards the purchase price of such shares.

**Allotment of shares
in lieu of patronage
bonus or other
payment**

31. The by-laws of a society marketing agricultural products, handling agricultural requisites or providing farming services to its members may provide that, in lieu of the payment in cash of amounts deducted from the sale or resale price of agricultural products delivered to the society, or of a patronage bonus, the society may require its members, without the completion of individual contracts, to undertake to make loans to the society from such deductions or patronage bonus, under such terms and conditions as are provided for in the by-laws, and such by-laws shall have the same effect as if each member had entered into a separate contract with the society and shall create a legal obligation on his part to make such loan, but only to the extent of such deductions or patronage bonus.

Borrowing of patronage bonus or other payment

32. (1) A society marketing agricultural products may, with the approval of the Registrar, which may be given generally or specifically, make and execute marketing contracts with its members, requiring the members to sell or deliver for sale, for any period of time specified therein, all or any part of their products or commodities specified in such contracts, exclusively to or through the society or any agencies created by the society.

Marketing contracts

(2) A contract made under this section may provide that the society may sell or resell the products delivered to it by its members with or without taking title thereto, and pay over to its members the sale or resale price after deducting an agreed commission.

(3) A marketing contract may provide for payment by the members to the society of specified sums as liquidated damages for any products or commodities sold, marketed or withheld by them in breach of the terms of the contract, and any such provision shall be valid and enforceable in the courts.

(4) Except where the Registrar's approval has been given generally to a society in respect of a particular form of contract, every society entering into a contract under the provisions of subsection (1) shall, before the signing and execution of the contract, forward two copies of it to the Registrar who shall thereupon either indicate his disapproval thereof or endorse his approval on one copy and return it to the society.

(5) No contract entered into under this section shall be contested in any court on the ground that it constitutes a contract in restraint of trade.

33. (1) For the purpose of encouraging thrift amongst its members, a society which includes in its objects the marketing of agricultural products, the handling of agricultural requisites or the provision of farming services, may, subject to this Act and the rules, be authorised by its by-laws to accept interest-bearing savings deposits from its members.

Encouragement of thrift

(2) Savings deposits may be made in such minimum and in such maximum amounts as may be prescribed in the by-laws.

(3) Savings deposits may be made-

- (a) for an indefinite period but withdrawable by the member on application in writing and on giving such notice, if any, as may be required by the by-laws:

Provided that the board of directors may in any case require up to thirty days' notice in writing of the intention to withdraw, or such additional notice as may in any particular case be approved or required by the Registrar;

- (b) for a stipulated term by agreement between the member and the society and on such conditions as may be prescribed in the by-laws.

(4) Moneys may be deposited by a member from his personal funds or by written order-

- (a) upon the society to deduct and deposit in his savings account a designated amount or amounts from payments due to him for agricultural products delivered by him to the society; or

- (b) upon any marketing board or other organisation to deduct and deposit in his savings account with the society a designated amount or amounts from payments due to him for agricultural products delivered by him to, or under the authority of, such marketing board or other organisation.

(5) The rates of interest payable on savings deposits for an indefinite period and for a stipulated term respectively, shall be set from time to time by the board of directors, within such limits as may be prescribed by the rules, and approved by the Registrar.

(6) Moneys deposited in the society for a stipulated term shall not be withdrawable before maturity except in the case of the death or disability of the member, or his removal from the district served by the society and his desire to terminate his membership, or other emergency, but the board of directors may in any case require up to thirty days' notice in writing of the intention to withdraw the whole or part of such moneys, or such additional notice as may in any particular case be approved or required by the Registrar, and the rate of interest specified in any agreement respecting deposits for a stipulated term may be discounted in such manner as may be determined by the board of directors or as set out in the deposit agreement.

(7) No member shall place in a deposit account for a stipulated term, in one amount or in an amount additional to amounts already deposited by him, such sum as would cause the total amount of his money in such deposit account to exceed one-fifth of the total amount of all such deposits in the society at that time.

(8) A member depositing moneys with the society for a stipulated term may be required to maintain paid-up share capital in the society in such amount as may be designated in the by-laws.

(9) Subject to the approval of the board of directors, a member may assign his savings deposits as security for a loan from or through the society.

34. The Registrar may approve and register by-laws for the purposes mentioned in section *thirty-three* if he is satisfied that-

Registration of by-laws to encourage thrift

- (a) the purpose of the by-laws has been discussed by the members in educational meetings;
- (b) the society is in a good financial position or, if it is a new society, its registration is considered to be economically advisable;
- (c) savings deposits and withdrawals therefrom will be recorded separately from other transactions of the society;
- (d) adequate safe-keeping facilities and accounting services will be provided by the society;
- (e) the society will furnish such returns respecting savings deposits as he may require;
- (f) officers of the society responsible for funds have received such information and training as he deems necessary for the proper supervision and management of savings deposits.

35. (1) For the purpose of providing credit required by farmers, a society which includes in its objects the marketing of agricultural products, the handling of agricultural requisites or the provision of farming services may, subject to this Act and the rules, be authorised by its by-laws to grant credit or make loans to its members for such purposes and under such terms and conditions as may be prescribed in the by-laws.

Provision of credit by agricultural societies

(2) Loans may be made by the society from its own funds or, under conditions prescribed in the by-laws, from the proceeds of loans made to the society by credit organisations or other persons.

(3) Any borrowing by the society for the purpose of making loans under subsection (2) shall be subject to the approval of the Registrar.

(4) A society may grant credit or make loans under this section-

- (a) for productive purposes, including seasonal loans or advances for financing the production and marketing of agricultural products, for the purchase of agricultural requisites, for farm improvement, and for housing and building materials;
- (b) for provident purposes, including the purchase of consumer goods and household necessities for the use of the borrower and his family, consolidation and repayment of debts, and payment of taxes, and for payments towards insurance, health and education;
- (c) with the approval of the Registrar, to another society which is a member.

(5) The by-laws may prescribe the maximum credit or amount that may be lent to a borrower, the maximum period within which loans for varying purposes shall be repaid, and the maximum rate or rates of interest that may be charged for credit or loans.

(6) The society shall require such type of security from a borrower as the by-laws may prescribe or as may be approved by the board of directors:

Provided that no society shall lend money under this section on mortgage of any description of immovable property except with the permission of the Registrar.

(7) No credit or loan shall be made to a person who is not a member in good standing with the society.

36. (1) Subject to the provisions of this Act and the rules, the board of directors shall have general supervision of all credit and loans made by a society in accordance with section *thirty-five*, shall fix the amount of credit or loan in each case, shall determine the security required before the credit is granted or the loan is made, and shall fix the rate of interest.

**Board of directors
to supervise credit
and loans**

(2) A majority of the members of the board of directors shall be present when an application for credit or a loan is under consideration, and the credit or loan applied for shall not be given or made unless the application is approved by at least a majority of those present.

(3) No officer of the society shall be allowed to borrow or receive credit in excess of the sum of his shares in the society, his loan capital in the society, if any, and his savings deposits in the society, if any, assigned as security to the society, unless the application is approved, in the absence of the applicant, by a majority of the board of directors and also by the Registrar.

(4) The board of directors, when reviewing an application for a loan, shall consider-

- (a) the character of the applicant;
- (b) whether the loan is for a productive or provident purpose;
- (c) the ability of the applicant to repay the loan;
- (d) the availability to the applicant of technical advice respecting agricultural production and farm management practices if the loan is for a productive purpose;
- (e) the security to be given by the applicant, and whether one or more guarantors of the loan will be required.

(5) To encourage thrift, the board of directors may, as a condition of the loan being granted, require that the applicant agree, during the period within which the loan is to be repaid, to purchase shares in the society, or deposit moneys in a savings deposit account (if the society is permitted to accept savings deposits) in such amount or amounts as may be specified.

(6) A full and correct record shall be kept of all the proceedings of the board of directors in carrying out its duties under this section, and the record shall be available for inspection by the Registrar.

(7) The directors of a society shall examine regularly its credit and loan transactions and, if further such transactions are likely to impair the financial situation of the society, the directors shall direct the proper officers to refuse further credit and withhold further loans for such period as the directors may determine.

37. The Registrar may approve and register by-laws for the purposes mentioned in section *thirty-five* if satisfied that-

- (a) the purpose of the by-laws has been discussed by the members in educational meetings;
- (b) the society is in a good financial position or, if it is a new society, its registration is considered to be economically advisable;
- (c) the granting of credit and making of loans, their supervision and repayment will be recorded separately from other transactions of the society;
- (d) adequate safe-keeping facilities and accounting services will be provided by the society;
- (e) the society will furnish such returns respecting grants of credit and lending operations as he may require;
- (f) officers of the society responsible for the supervision of credit and loans have received such information and training as he deems necessary.

Registration of by-laws for the provision of agricultural credit

38. A society with authority to provide and administer agricultural credit in accordance with section *thirty-five* may, by its by-laws, be authorised to accept interest-bearing savings deposits in accordance with section *thirty-three*.

A society may combine thrift services with the provision of credit

39. A society may be registered for one or more of the following principal objects and purposes:

Farm machinery and related services

- (a) providing, operating and maintaining farm machinery and other equipment for use by or on behalf of the members in the production of agricultural products;
- (b) storing, marketing or otherwise utilising agricultural products produced by members with the assistance of services provided by the society under paragraph (a);
- (c) handling agricultural requisites for the production of agricultural products produced by members with the assistance of services provided by the society under paragraph (a).

40. A society may be registered to assist producers of livestock of various kinds, including dairy cattle and poultry, with one or more of the following principal objects and purposes:

Assistance to livestock, dairy and poultry producers, etc.

- (a) providing artificial insemination or other breeding services for livestock owned by members;
- (b) assembling, transporting, selling by public auction or otherwise handling various kinds of livestock or poultry produced by members, and providing buildings and equipment required for such services;
- (c) purchasing or otherwise acquiring livestock or poultry for feeding or finishing by members on a contract or other basis;
- (d) purchasing or otherwise acquiring livestock or poultry as foundation, replacement or breeding stock for production by members;
- (e) establishing and maintaining central feeding stations for the use of members engaged in the production of livestock;
- (f) providing a hatching, brooding or raising station for the use of members engaged in poultry production;
- (g) purchasing, procuring or maintaining bees for the production of honey for the use by or on behalf of members;
- (h) purchasing, taking on lease or otherwise acquiring and maintaining land for the grazing of livestock of members;
- (i) purchasing, taking on lease or otherwise acquiring land for the production of fodder and feeding stuffs required by members engaged in the production of livestock or poultry;
- (j) purchasing, taking on lease or otherwise acquiring, maintaining and managing a livestock or poultry enterprise for the production of meat, milk and other dairy products, poultry and eggs, on behalf of its members;
- (k) contracting for or otherwise providing veterinary services to members engaged in the production of livestock or poultry, and fixing and collecting fees payable by members to the society to finance such services:

Provided that no society shall be registered with this object without the written approval of the Minister responsible for veterinary services.

41. A society may be registered for one or more of the following principal objects and purposes:

- (a) the provision and maintenance of water supplies for household and farm use;
- (b) the provision and maintenance of water supplies for irrigation purposes and the management of irrigation projects on behalf of members;
- (c) maintaining and supervising an area of land for watershed development, flood control, drainage, soil erosion control, and crop rotation.

Land improvement services

42. (1) To achieve its objects a society registered with any of the objects mentioned in sections *thirty-nine* to *forty-one* inclusive, may provide in its by-laws-

Special provisions in the by-laws

- (a) that each member undertake to lend such funds and furnish such fixed or working capital for the society as may be designated from time to time by the directors;
- (b) that each member undertake to contribute such labour or other services as may be necessary for the operation of the society.

(2) Where the objects of a society include the provision of grazing land in accordance with paragraph (*h*) of section *forty*, or the production of fodder and feeding stuffs in accordance with paragraph (*i*) of the same section, the by-laws may authorise the directors to assign quotas for the number of head of livestock to be grazed by each member on land maintained by the society, or for the provision of fodder and feeding stuffs sold to or otherwise provided to each member from such land.

(3) Where the objects of a society include those mentioned in section *forty* or *forty-one*, the by-laws may provide that no dividend shall be paid to its members on share capital, that no patronage bonus shall be paid, and that any net surplus shall be transferred to reserve to meet unforeseen losses or other contingencies, or to maintain and improve the services provided by the society.

43. A society may be registered for the principal object and purpose of contracting with, or arranging with, any technically qualified person or organisation to provide advisory and supervisory services to assist members with farm management practices connected with the farm operated by each, and to collect fees from members for payment by the society for such advisory or supervisory services.

Advisory or supervisory services for farmers

44. A society may be registered for the principal object and purpose of purchasing, taking on lease, building or otherwise acquiring, operating and maintaining local, district or regional warehouses for storage of agricultural products produced by its members for their own use or for sale; and purchasing, hiring or otherwise acquiring and operating equipment for the assembling, cleaning and transporting of such products.

Storage of agricultural products

45. A society may be registered for the principal object and purpose of purchasing, hiring or otherwise acquiring, operating and maintaining lorries, trucks and other equipment required for assembling and transporting to market, agricultural products produced by its members, and for the assembling and transporting of agricultural requisites and other goods required by its members.

Transportation of agricultural products and farm supplies

PART VI CO-OPERATIVE SERVICES FOR PRODUCERS OF NATURAL PRODUCTS

46. (1) A society may be registered having as its principal objects and purposes, or any of them, the production, processing, utilisation or marketing of natural products, and rendering to its members services ancillary to such objects, including-

Co-operative services for producers of natural products

- (a) purchasing, hiring or otherwise acquiring, maintaining and operating boats, motors, nets and other equipment to be used in group fishing by members, or by each member on an individual basis, and the marketing of fish and fish products;
- (b) obtaining or providing equipment, contracts and management services for the production and marketing of pulp wood, fuel wood, timber, lumber and other forest products, or products derived wholly or partially therefrom;
- (c) subject to the provisions of the Mines and Minerals Act, obtaining prospecting, exploration and mining licences and obtaining or providing equipment, contracts and management services for the development, utilisation and disposal of the products of any mine.

Cap. 213

(2) A society registered under this section which includes amongst its objects the marketing of natural products for its members, may-

- (a) be appointed as agent of any marketing board or other authority established by law for the marketing and distribution of products which the society may be authorised to market under its by-laws;
- (b) make and execute marketing contracts requiring its members to sell or deliver for sale, for any period of time specified therein, all or any part of their products as specified in such contracts exclusively to or through the society or any agencies created by the society, in which case the provisions of section *thirty-two* shall apply to any such marketing contracts.

PART VII BUILDING CONSTRUCTION AND HOUSING SOCIETIES

47. A building construction society may be registered for the following principal objects and purposes:

**Building
construction
society**

- (a) building houses and flats for individual or family use, and other buildings for industrial, business or public use, either for sale by the society itself or under agreement negotiated with a municipality or other public body or authority performing a function of government or providing a public service, or with a company, society, association, partnership or other organisation or person;
- (b) purchasing, manufacturing, processing or otherwise providing materials for the construction of buildings, or contracting for architectural services or for the installation of utilities.

48. A housing society may be registered for the following principal objects and purposes:

Housing society

- (a) building or otherwise acquiring houses or flats for sale to its members for their individual ownership and use;
- (b) building or otherwise acquiring, maintaining and managing houses or flats for lease to its members;
- (c) purchasing and site planning land for sale or lease to its members for houses or blocks of flats.

49. (1) A building construction society may, if so provided in its by-laws, make loans or advances to its members for the purchase of tools, materials and equipment for their individual use in connection with building projects undertaken in accordance with section *forty-seven* and sell to its members consumer goods and household necessities.

Special powers

(2) A housing society may, if so provided in its by-laws, accumulate the savings of its members for the building and management of houses and flats, the ownership of which is vested in the society, or for the making of loans to its members for the building, purchasing or maintenance of houses or flats, or for other purposes mentioned in section *forty-eight*.

(3) A housing society may, if so provided in its by-laws, raise additional funds by borrowing for a period not exceeding thirty years for the building of houses and flats, the ownership of which is vested in the society, or for making loans to its members for the building of houses or flats, or for the purchasing and maintenance of houses or flats acquired by them from the society, or for other objects mentioned in section *forty-eight*.

50. No building construction, or housing, society shall commence operations until it has furnished satisfactory evidence to the Registrar that the members have received the training required for the satisfactory completion of the building projects which the society expects to undertake, and that the capital furnished by its members is equal to such amount as may initially be prescribed by the by-laws.

Commencement of operations

51. The by-laws of a building construction, or housing, society shall, where applicable, provide-

Special features

- (a) the manner in which each member is to furnish capital for the purposes of the society, and the amounts thereof;
- (b) the manner in which a member may be required to pay for services furnished by the society, whether in the form of rent, purchase price of housing, or payment for other services;
- (c) the manner in which the furnishing of labour services or materials by a member may be valued in payment for any services received by him through the society.

52. Every housing society shall, before the distribution of any net surplus, set aside an amount annually in the form of a sinking fund for the repayment of any bonds, debentures or other funds borrowed in accordance with subsection (3) of section *forty-nine*, both as to principal and interest.

Sinking fund

PART VIII CREDIT UNIONS

53. A co-operative savings and credit society, in this Part referred to as a credit union, may be registered for the promotion of thrift among its members and the creation of a source of credit for its members at controlled rates of interest, exclusively for provident or productive purposes.

Objects of a credit union

54. One or more of the words "savings", "thrift" and "credit" shall form part of the name of every society registered exclusively for the purposes mentioned in section *fifty-three*, and, with the approval of the Registrar, the word "co-operative" may be omitted from the registered name.

Name

55. Subject to the provisions of section *fifty-six*, the membership of a credit union shall be drawn from groups of persons having a common bond of occupation or association, or from groups living within a well-defined neighbourhood or community, or within a rural or urban district.

Membership generally

56. (1) A credit union may, with the approval of the Registrar, admit as members another credit union or other society and any of the following organisations:

Membership of certain organisations

- (a) a municipality or other public body performing a function of government or providing a public service;
- (b) a religious organisation;
- (c) a labour organisation, an agricultural organisation, or a benevolent or fraternal organisation;
- (d) an organisation operated exclusively for charitable, educational or community welfare purposes, no part of the income of which is payable to or otherwise available for the personal benefit of any proprietor, member or shareholder thereof.

(2) A society, municipality or other organisation mentioned in subsection (1), which is a member of a credit union, may vote at meetings of the credit union by a duly appointed delegate in accordance with the by-laws.

(3) The terms and conditions under which a member society or organisation may obtain loans from a credit union shall be set forth in the by-laws, and shall not be inconsistent with the provisions of this Act, and the total amount of all loans made by the credit union to member societies or organisations shall not at any time exceed an amount equivalent to one-quarter of the combined paid-up capital and deposits of the credit union.

(4) Except with the approval of the Registrar, no credit union shall admit to membership another credit union or society or other organisation unless their membership is drawn from the same general group as that composing the membership of the credit union.

57. For the purposes of carrying out its objects every credit union may, subject to the provisions of this Act and the rules-

**Powers of a
credit union
Cap. 412**

- (a) receive the savings of its members as payments on shares and as deposits, either in individual or in joint accounts, and receive deposits from other societies, the Government of Zambia, or any department, board, bureau or agency thereof, any municipality or statutory authority performing a function of government or providing a public service, and any company, the majority of the shareholders of which are members of the credit union;
- (b) make loans to its members for provident or productive purposes;
- (c) deposit money in commercial banks in Zambia, the Post Office Savings Bank, building societies registered under the Building Societies Act, loan companies and trust companies authorised to receive money on deposit, and with any federation registered under Part XII and authorised to receive money on deposit;
- (d) invest in any stocks, bonds or securities of the Government of Zambia, and, with the approval of the Registrar, to an extent not exceeding one-quarter of its capital, in paid-up shares of other credit unions or in securities issued by and secured by first mortgage on immovable property of a society, or to an extent not exceeding one-half of its capital in paid-up shares of any federation registered under Part XII with objects of making loans to and accepting deposits from its member societies:

Provided that the total amount of investments made by a credit union under this paragraph, other than in stocks, bonds and securities of the Government of Zambia, shall not exceed one-half of its capital;

- (e) borrow money as provided by section *fifty-eight*.

58. (1) Subject to the approval of the Registrar, a credit union may borrow-

**Borrowing powers of a
credit union**

- (a) upon a vote of at least three-fourths of the members of the board of directors-
 - (i) moneys not exceeding in the aggregate one-quarter of its combined capital, surplus and deposits; or
 - (ii) moneys not exceeding in the aggregate an amount equal to the total of the market value of stocks, bonds and securities of the Government of Zambia held by the credit union, or an amount equal to the total value of the unencumbered shares and deposits for a stipulated term held by the credit union in any federation registered under Part XII with objects to lend money to and accept deposits from member societies, whichever such amount is the greater; or
- (b) upon a special resolution passed by the members of the credit union, approving a recommendation of at least three-quarters of the members of the board of directors, additional moneys from time to time, so long as the balance owing by the credit union in respect of all moneys borrowed at no time exceeds one-half of its combined capital, surplus and deposits.

(2) The Registrar shall review annually the borrowing of a credit union under subsection (1) and may at any time withdraw his approval of further borrowings under that subsection.

(3) A credit union may, with the approval of the Registrar, charge, hypothecate, mortgage or pledge its immovable or movable property, rights and powers, undertakings, franchises, book debts and unpaid calls of the credit union, to secure any liability for the repayment of moneys borrowed under subsection (1).

59. No credit union shall commence lending operations until it has furnished satisfactory evidence to the Registrar that such number of members as he may specify have subscribed for the minimum number of shares prescribed in the by-laws for each member, and have made the payments initially required thereon.

**Commencement
of lending
operations**

60. A credit union may, with the approval of the Registrar, for its purposes hold, purchase or take on lease in its own name, and sell, exchange, mortgage or lease, any land or buildings.

Land and buildings

61. (1) Subject to the provisions of subsections (2) and (3), at the first general meeting held after the receipt of its certificate of registration a credit union shall elect-

**Election and
appointment of
officers**

- (a) a board of directors of not less than five in number;
- (b) a credit committee of not less than three members (unless the by-laws provide that the credit committee shall be appointed by the board of directors);
- (c) a supervisory committee of three members (unless the by-laws provide that one member of the supervisory committee shall be appointed by the board of directors).

(2) No employee of a credit union, other than the Secretary, shall be a director.

(3) No director, nor any member of the credit committee, nor any employee of the credit union, shall be a member of the supervisory committee.

62. In addition to such other duties as are imposed by this Act and the rules, the board of directors of a credit union shall-

**Special duties
of directors**

- (a) determine the maximum individual shareholdings, the maximum individual loans and the aggregate amount of such loans which the credit union may make from time to time within the limits laid down in the by-laws;
- (b) determine the interest rates on loans and deposits;
- (c) declare dividends; and
- (d) make and have charge of the investments of the credit union, other than loans to members.

63. (1) Subject to the provisions of sections *sixty-eight* and *sixty-nine*, the credit committee of a credit union shall have the general supervision of all loans to members and, subject to any general order of the board of directors, the provisions of this Act and the rules, shall fix the amount of each loan.

**Jurisdiction of
credit committee**

(2) A majority of the credit committee shall be present when an application for a loan is under consideration and the loan applied for shall not be made unless the application is approved by a majority of the members of the committee present.

(3) A full and correct record shall be kept of all proceedings of the credit committee in carrying out its duties, and the record shall be available for inspection by or under the direction of the Registrar.

64. (1) Every loan made by a credit union shall be for a provident or productive purpose.

Loans by credit unions

(2) Every application for a loan shall be on a form provided by the credit committee, and shall set forth the purpose for which the loan is desired, the security, if any, offered and such other information as may be required by the committee.

(3) The credit committee shall inquire carefully into the character and the financial conditions of each applicant for a loan and his sureties or guarantors, if any, in order to determine his ability to repay the loan, and shall determine whether the loan applied for is for a provident or productive purpose and will be of probable benefit to the borrower.

(4) Except for loans of such small amounts as may be prescribed in the rules, the credit committee shall require security to be given on all loans and shall determine the particular security to be taken in each case.

(5) An assignment of shares or of deposits, or a negotiable instrument endorsed by a guarantor, may be accepted as security for a loan.

(6) The security for a loan shall be in the possession, or within the control, of the credit union before the loan is made, and where security covering immovable or movable property is required for the purpose of securing the repayment of a loan, the proceeds of the loan shall not be made available to the applicant until all documents necessary to establish the claim of the credit union on the security in case of default have been duly executed and, if so required, registered.

(7) Notwithstanding the provisions of subsection (6), the lending of money on mortgage of any description of immovable property shall be subject to the approval of the Registrar.

(8) Where more loan applications are pending than can be granted by the credit union from the funds available, preference shall be given by the credit committee to the applicants for the smaller loans in the order received if the need for the loan and the security offered compare favourably with the need and the security offered with respect to applications for larger loans.

65. (1) No loan shall be made by a credit union if it would cause the borrower to become indebted to the credit union for an amount in the aggregate of all loans made by the credit union to the borrower, in excess of eight per centum of its paid-up capital, surplus and deposits, or in excess of such lesser percentage as may be provided in the by-laws.

Maximum of loans to a member

(2) Notwithstanding the provisions of subsection (1), the by-laws of a credit union may authorise the making of loans for amounts in excess of eight per centum of its paid-up capital, surplus and deposits, to a municipality, or to a statutory body performing a function of government or providing a public service, or to a society:

Provided that the total of all loans made to all such borrowers shall not at any time exceed an amount equivalent to one-quarter of its paid-up capital, surplus and deposits.

66. A credit union shall not, without the approval of the Registrar, make any, or any further, loans if the aggregate of its reserves consisting of cash on hand and on deposit with a bank, or other organisation authorised to accept money on deposit, is less than ten per centum of its combined paid-up capital and deposits.

No loans in certain cases

67. (1) Subject to its by-laws, and it having such minimum amount of paid-up capital, surplus and deposits as shall be prescribed in the rules, a credit union may make loans-

Restrictions on making loans in certain cases

- (a) for the purchase of farm land for the personal use of the borrower, and for the purchase or erection of buildings necessary for the conduct of farming operations on such land;
- (b) for the purchase or erection of a dwelling-house or other buildings for the personal use of the borrower and the land on which such dwelling-house or other buildings are situated or are to be erected;
- (c) for the purchase of land or the purchase or erection of buildings required for use in the operation of a business of which the borrower is the sole owner or proprietor, whose total assets before the loan is made do not exceed such amount as shall be prescribed in the rules;
- (d) where the borrower is a society, for the purchase of land, or the purchase or erection of buildings, required for the use of that society, if the total assets of the society, before the loan is made, do not exceed such amount as may be prescribed in the rules.

(2) No loan shall be made by a credit union for financing the operation of a business except for such purposes and under such conditions as shall be prescribed in the rules.

(3) The total amount of loans made by a credit union in accordance with this section shall not at any time exceed an amount equivalent to one-quarter of its paid-up capital, surplus and deposits.

68. An application for a loan under section *sixty-seven* shall be considered by, and shall require the approval by majority vote of, the following persons meeting together:

Approval of loans for certain purposes

- (a) a majority of the members of the credit committee; and
- (b) two or more directors; and
- (c) one member of the supervisory committee.

69. No officer of a credit union shall be allowed to borrow in excess of the value of his shares and deposits, assigned as security to the credit union, and the market value of any stock, bonds or securities of the Government of Zambia held by him and so assigned, unless the application is approved by a majority vote, taken in the absence of the applicant, of the following persons meeting together:

Restrictions on loans to officers

- (a) a majority of the members of the credit committee; and
- (b) two or more directors; and
- (c) one member of the supervisory committee.

70. Subject to the provisions of section *fifty-seven*, no credit union shall lend money to, or accept deposits from, a person who is not a member of the credit union.

Prohibitions

71. (1) No officer or employee of a credit union shall lend money from the funds of the credit union to an applicant for a loan unless the application and loan have been approved as required by this Act.

Un-authorised loans prohibited

(2) An officer or employee who contravenes this section is guilty of an offence.

72. The interest rates on loans made by a credit union shall not exceed one per centum per month on unpaid balances.

Rates of interest on loans

73. The credit committee shall report-

**Reports of
credit
committee**

- (a) at least monthly to the board of directors regarding the number of loans made during the period under review, the amount lent, renewals of loans granted, if any, the rate of interest where the rate varies between different types and classes of loans, and the purposes for which loans were made;
- (b) to the annual general meeting respecting the work of the committee during the preceding year, and shall provide thereat a summary showing the purposes for which loans were made but without disclosing the name of any borrower.

74. The supervisory committee of a credit union shall-

**Duties of
supervisory
committee**

- (a) make regular examinations of the affairs of the credit union;
- (b) require at least one of its members to sign the monthly or other financial statement prepared by the treasurer;
- (c) unless an auditor of the credit union has been appointed by or with the approval of the Registrar, make an annual audit and submit a report thereon to the annual general meeting signed by at least two members of the committee;
- (d) fill any vacancy in its membership until the next annual general meeting;
- (e) if approved by unanimous vote of all members of the committee, suspend any officer of the credit union and call a meeting of the credit union to consider the report of the committee on the suspension;
- (f) call a special meeting of the credit union to consider any matters which, in the opinion of the committee, should be placed before the credit union;
- (g) send to the Registrar within such period of time and in such form as he may require, details of all examinations made by the committee in accordance with this section;
- (h) maintain a full and correct record of all its examinations and proceedings undertaken in accordance with the provisions of this Act and make the record available for inspection by or under the direction of the Registrar.

75. (1) Where the combined share capital and deposits of a credit union exceed such an amount as shall be prescribed from time to time by the Minister by statutory order, the supervisory committee shall request the board of directors to engage as auditor, with the approval of the Registrar, a person publicly carrying on the profession of accountant in Zambia to conduct the annual audit of the books and accounts.

**Engagement of
auditor for a credit
union**

(2) When an auditor is so engaged, the supervisory committee shall submit the auditor's report to the next annual general meeting.

76. (1) Shares in a credit union may be paid for by instalments at the times and in the manner determined by the by-laws.

Shares in credit union

(2) The by-laws may require each member to subscribe for such minimum number of shares as may be designated in the by-laws.

(3) After a member has paid for his initial membership share and for such minimum number of shares as may be prescribed pursuant to subsection (2), he may, unless the directors decide otherwise, continue to make payment for additional shares without being required to sign a written application to purchase such additional shares:

Provided that no member, other than a society, may hold more than one-fifth of the shares of a credit union or such lesser amount as the by-laws may specify.

(4) Moneys paid for or on account of shares may be withdrawn on application being made in writing on any day when the registered office of the credit union is open for business, but the board of directors may in any case require up to ninety days' notice of intention to withdraw the whole or any part of any such moneys, or such additional notice as may in any particular case be required by, or approved by, the Registrar.

77. (1) A member may deposit moneys in a deposit account in a credit union in such minimum amounts as may be prescribed in the by-laws.

**Members'
deposits and
withdrawals**

(2) If permitted by the by-laws, a member may, by agreement with the credit union, deposit moneys in an account with a credit union for a stipulated term, for such minimum and maximum periods and subject to such other conditions as may be prescribed in the by-laws.

(3) Moneys deposited by a member in a credit union for a stipulated term shall be in such amounts as may be agreed to by the credit union:

Provided that the aggregate of all amounts received on deposit for a stipulated term shall not at any time exceed the amount of the paid-up share capital of the credit union.

(4) Moneys deposited in the credit union pursuant to subsection (1) may be withdrawn on any day the credit union is open for business:

Provided that-

- (i) the board of directors may in any case require up to thirty days' notice in writing of the intention to withdraw the whole or any part of such moneys, or such additional notice as may in any particular case be required by, or approved by, the Registrar;
- (ii) if moneys deposited for a stipulated term pursuant to subsection (2) are withdrawn before maturity, the rate of interest fixed in the deposit agreement may be discounted in such manner as may be determined by the board of directors or as may be specified in the deposit agreement.

78. (1) Every credit union shall maintain a reserve to meet withdrawals of moneys in share and deposit accounts, consisting of cash on hand, or in a bank or other organisation authorised by law to accept moneys on deposit, and such reserve shall not, at the end of any calendar month, be less than ten per centum of the liabilities of the credit union to its members in respect of shares and deposits at that time.

Cash reserve to meet withdrawals

(2) Cash may only be kept on hand by a credit union in accordance with the conditions respecting safe-keeping facilities, insurance and other safeguards prescribed in the rules and approved in the case of each credit union by the Registrar.

79. (1) When determining the net surplus made by a credit union, the board of directors shall deduct and set aside annually in a reserve fund against uncollectable loans and probable future losses such sum as shall be equal to at least twenty per centum of the year's surplus, until the reserve fund is equal to, and remains equal to, at least ten per centum of the outstanding loans repayable to the credit union, or to such other greater amount as may be prescribed in the rules or the by-laws.

Distribution of net surplus of credit union

(2) After determining the net surplus, the board of directors of a credit union shall present to the annual general meeting a declaration respecting the distribution of the net surplus, which may provide-

- (a) that a dividend of a specified amount not exceeding six per centum per annum be paid to the members on all fully paid-up shares as shown by the books of the credit union at the end of the preceding financial year, or held by a member for not less than such part of the preceding financial year as may be prescribed in the by-laws;
- (b) that there be set aside, if the by-laws so provide, a specified amount not exceeding five per centum of the net surplus, to be used for such educational purposes as the directors may determine;
- (c) that the remainder of the surplus, if any, be divided amongst the members as a borrower dividend in proportion to the amount of interest paid by them to the credit union on all loans or on specified classes of loans during the preceding financial year.

80. A society may be registered for the following principal objects and purposes, or any of them:

**Production,
manufacture and
sale of goods**

- (a) producing, preparing, adapting, processing and manufacturing goods, wares and merchandise from materials of every description, for sale or under contract;
- (b) undertaking contracts or sub-contracts, by the provision of labour and technical services, materials and equipment, for land clearance or reclamation, road construction, the construction of industrial plants, public utilities or facilities for the development of natural resources, and for furnishing services for the maintenance of buildings, industrial plants and sites, mines and public utilities;
- (c) providing all necessary materials, equipment, facilities and services to enable members and their families to produce, prepare, adapt or process goods, wares and merchandise in their homes, either for individual sale by each member or for sale by or through the society;
- (d) rendering services to its members and non-member patrons as contractors, or as producers, processors, and manufacturers of goods, wares and merchandise, which are ancillary to their operations or activities.

81. To achieve its objects a society registered in accordance with section *eighty* may make provision in its by-laws regarding-

**Special provisions
in the by-laws**

- (a) the extent of the liability of each member to lend funds and to furnish fixed working capital for the society;
- (b) the extent to which each member shall undertake by contract or otherwise to contribute labour or other services necessary for the operation of the society;
- (c) the conditions under which the society may make loans or advances to members to finance their work;
- (d) the sale of consumer goods and household necessities to members.

PART X CONSUMERS' SOCIETIES

82. (1) A society may be registered for the principal purpose of purchasing, procuring, processing, manufacturing, exchanging, hiring and dealing in goods, wares and merchandise, including foodstuffs, clothing, household goods, fuel and other necessities of all kinds for individual or family consumption or use, as well as agricultural requisites, for sale at retail to its members and non-member patrons.

Consumers' societies

(2) The membership of a consumers' society may be limited to persons living within a well-defined neighbourhood or community, or within an urban or rural district.

83. To achieve its objects a consumers' society may provide in its by-laws-

- (a) that no goods be sold on credit, or alternatively the conditions and restrictions to which the sale of goods on credit shall be subject;
- (b) that in lieu of the payment in cash of patronage bonus due to a member, the directors may allot to him shares in the society in the manner and to the number mentioned in the by-laws, and that, upon such allotment, such member shall be deemed to have made an application for such shares, and shall be under an obligation to pay therefor out of the patronage bonus due to him, but only to that extent;
- (c) that in lieu of payments of patronage bonus in cash, the society may require its members, without the completion of individual contracts, to undertake to make loans to the society from such patronage bonus for such purposes and under such conditions as are provided in the by-laws, which shall have the same effect as if each member had entered into a separate contract with the society, and shall create a legal obligation on the part of each member to make such loans, but only to the extent of such patronage bonus.

**Special provisions
in the by-laws**

84. (1) The board of directors of a consumers' society shall examine regularly the condition of the society's business by requiring the proper officers to furnish during every financial year, monthly or quarterly, or at such other times as the directors may determine, a report disclosing the results of the operations of the society during a specified period, including information respecting accounts receivable and accounts payable, other assets and liabilities, income and expenses, purchases and sales, and a comparison of such information with the corresponding period of the previous financial year, for the purpose of enabling the directors to determine the progress being made by the society in achieving its objects.

**Special
responsibilities of
directors of a
consumers' society**

(2) The directors shall examine regularly all credit or hire-purchase transactions to determine whether or not they are in conformity with the by-laws of the society, and if, in the opinion of the directors, such transactions are likely to impair the financial situation of the society, the directors shall direct the proper officers to refuse further credit and refrain from entering into further hire-purchase transactions for such period as the directors may determine.

85. No officer or employee of a consumers' society acting on its behalf shall purchase or sell goods on credit except in accordance with instructions given by the board of directors.

**Credit controlled
by directors**

86. A consumers' society may provide in its by-laws that no member shall be eligible for election as a member of the board of directors if any amount owing by him to the society is in arrear, or if he has failed to obtain or purchase from the society during its preceding financial year, goods, wares, merchandise or supplies to the value stipulated in the by-laws.

**Qualifications
for election in
certain cases**

87. Where a consumers' society has for its objects the providing of other services to its members, or members and non-member patrons, this Part shall nevertheless apply to that society with respect to the purchase and sale of goods, wares and merchandise, or agricultural requisites, if any, at retail.

Application of Part X

PART XI COMMUNITY SERVICE SOCIETIES

88. A society may be registered for the benefit of the community in which its members reside with one or more of the following objects:

Community buildings, facilities or services

- (a) operating and maintaining a public or community hall or community centre, a recreational ground or any other facilities solely for health, community welfare, civic improvement, public entertainment, cultural activities or recreation; or
- (b) providing services for procuring health care, or other services of a social or educational nature to promote occupational or community group welfare.

89. (1) A society registered under section *eighty-eight* shall not pay a dividend or patronage bonus, and no part of the net surplus arising from the yearly operations of the society shall be paid to any member or patron.

No dividends on capital or patronage bonus

(2) Any net surplus arising from the yearly operations of the society shall be set aside as a reserve fund for unforeseen losses or other contingencies, or for the maintenance or further development of the services provided by the society, or the directors, if so authorised by the annual general meeting and permitted by the by-laws, may donate the net surplus, in whole or in part, to one or more local organisations with objectives beneficial to the community.

90. Where a community service society is to be registered under this Part for the main purpose of contracting for or otherwise arranging for the payment of medical or hospital or nursing services on behalf of its members, and collecting premiums assessed upon its members for payment by the society to persons or organisations providing these services, such society shall not be registered without the written approval of the Minister in charge of health services.

Provision of health services

PART XII FEDERATIONS

91. A federation of societies, or of co-operative unions, or of societies and co-operative unions, may be registered as a society under this Act for one or more of the following purposes:

Objects

- (a) carrying on any co-operative enterprise envisaged by this Act, and, without limiting the generality of the foregoing, providing facilities for-
 - (i) processing and marketing agricultural products or natural products;
 - (ii) procuring, manufacturing and selling agricultural requisites and consumer goods at wholesale;
 - (iii) establishing and operating a co-operative savings and credit service for member societies;
 - (iv) providing management and other services required by building construction or housing societies;
 - (v) managing, supervising and co-ordinating activities of farming societies and other societies providing special production services to agriculturists;
 - (vi) acquiring, maintaining and operating buildings and equipment for the assembling, warehousing and transporting of agricultural products;
 - (vii) operating services for the transportation of agricultural products and other commodities;
- (b) carrying on, encouraging and assisting educational and advisory work relating to co-operative enterprise, and, without limiting the generality of the foregoing, establishing and operating a college or institute for education and training in co-operative principles and operating methods, operating district or regional training schools for officers and members of co-operative societies, providing correspondence courses regarding co-operative principles and operating methods and providing information on co-operative principles and practices to youth groups;
- (c) rendering services designed to ensure efficiency and uniformity in the conduct of the business of its member societies, standardising their book-keeping, accounting and other procedures, and providing an auditing service;
- (d) reducing operating costs by arranging for group bonding of co-operative society employees, and purchasing book-keeping and other supplies for sale to its members;
- (e) printing, publishing and circulating any newspaper or other publication designed to foster or increase interest in co-operative enterprises, principles and practices.

92. The Registrar may, in his discretion, dispense with the requirement that the word "co-operative" shall form part of the name of a society, when such society is a federation.

Use of the word "co-operative"

PART XIII MEMBERSHIP

93. Subject to the provisions of this Act, membership of a society shall be governed by its by-laws, but in no case shall a society fix any limit to the number of its members.

**Membership
governed by by-laws**

94. (1) Each applicant for the registration of a new society who has subscribed for one share in the society or who has paid the membership fee, if any, shall be deemed to have agreed to become a member of the society, and his name shall, upon its registration, be entered in the register of members.

Who may be members

(2) No person, other than those mentioned in subsection (1), shall become a member of a society until his written application for membership has been approved by resolution of the board of directors and recorded in the minutes.

(3) Each applicant for membership shall be notified in writing that his application has been approved or has not been approved.

(4) Unless the by-laws provide to the contrary, a person of the age of sixteen years may become a member of a society, but such person shall not be eligible to act as a member of the board of directors or of any committee of the society until he has reached the age of twenty-one years.

(5) An applicant, other than another society or other organisation, shall not be admitted to membership unless he is resident within or occupies land within the society's area of operation as described in its by-laws.

95. (1) If so provided in its by-laws, a society may receive moneys on share account, or on deposit account, from or for the benefit of a minor, and it shall be lawful for the society to pay such minor the dividend or interest which may become due on any such shares or deposits.

Rights of minors

(2) Any payment or deposit made on behalf of a minor pursuant to subsection (1) may, together with any dividend or interest, be paid to the guardian of that minor for the use of the minor.

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

(4) A minor under the age of sixteen years has only such rights in a society as may be prescribed in the rules.

96. No member of a society shall exercise the rights of a member until he has made such payment to the society in respect of membership, or has acquired such interest in the society, as may be prescribed in this Act, the rules or the by-laws.

Member not to exercise rights until due payment made

97. (1) Where there is no share capital, every member who has paid his membership fee, if any, in full shall receive a certificate of membership.

Certificate of membership

(2) Subject to subsection (3), a share certificate may be issued on request.

(3) Shares may be paid for by instalments at the times and in the manner prescribed by the by-laws, but no share certificate shall be issued to a member until the shares to which it relates have been fully paid for.

98. Every society shall have a lien on the shares or other interest of its members in the society for debts due from them to the society, and the interest of any member in the society shall be subject to a set-off of any indebtedness by him to the society.

Lien on members' shares

99. Except in the case of a community service society registered under Part XI, every society shall, after each annual general meeting, furnish a statement to each member showing his share capital or other amounts held to his credit in the society at the end of the previous financial year, and the amounts, if any, credited to him out of the distribution of the net surplus resulting from the operations of the society during that financial year.

Certain societies to furnish statements to members

100. (1) Every society shall keep a register of its members, and of the shares, if any, held by members, which register shall show and shall be *prima facie* evidence of-

Every society to keep a membership register

- (a) the names, addresses and occupations of the members, the number of shares held by them respectively, if the society is registered with share capital, the numbers of such shares if they are distinguished by numbers, and the amount paid or considered to be paid thereon;
- (b) the date on which each person, society or other organisation was registered or recorded as a member;
- (c) the date on which each person, society or other organisation ceased to be a member.

(2) Every society may be required by the Registrar to furnish him with a list of members at such time as he may specify, and such list shall be open for inspection in the office of the Registrar on payment of such fee as may be prescribed in the rules.

101. (1) Each member or delegate in a society shall have one vote only at meetings of the society, and there shall be no voting by proxy.

Votes of members and delegates

(2) In case of an equality of votes, the Chairman shall have a casting vote.

(3) Where a society comprises other societies which are members of it, the by-laws of such society shall prescribe the number, or the method of determining the number, of delegates which those member societies may appoint to attend and vote at meetings of such society.

102. The fact that any person who has been admitted as a member of a society has not yet reached the age of twenty-one years shall not prevent that person from executing any instrument or giving any acquittance necessary to be executed or given under this Act or the rules, and shall not be a ground for the invalidation of any contract entered into by such person with the society, and any such contract entered into by any such person with the society, whether as principal or as surety, shall be enforceable at law as against such person, notwithstanding his minority.

Contracts with minors

103. No member, other than another society, shall hold more than one-fifth of the share capital of a society.

Limitation on share holdings

104. (1) Subject to the provisions of section *seventy-six* (which relate to the right of a member of a credit union to withdraw his shares), and subject to the provisions of subsection (2) of this section, shares may be assigned or transferred, or may be redeemed or re-purchased by the society.

Assignment, transfer and re-purchase of shares

(2) Every such assignment, transfer, redemption or repurchase shall be subject to such conditions as may be prescribed in the by-laws of the society, and shall not be valid unless approved by the board of directors, who shall not give such approval if it would reduce the total number of members below the minimum required by this Act for the registration of the society.

105. The shares or other interest of a member in the capital of a society shall not be liable to attachment or sale under decree or order of a court in respect of any debt or liability incurred by such member:

Shares or interest not attachable

Provided that, subject to the by-laws, nothing herein contained shall prohibit the transfer, assignment or sale of the shares or other interest of a member to the society, or to any member thereof.

106. (1) On the death of a member, a society may transfer the shares or other interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to the legal personal representative of the deceased member, or may pay to such nominee or legal personal representative, as the case may be, a sum representing the value of such member's share or other interest, as ascertained in accordance with the by-laws or the rules.

**Transfer of interest
on death of member**

(2) A society shall pay all other moneys due to the deceased member from the society to his legal personal representative.

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

107. (1) Subject to the provisions of section *fifteen*, the liability of a past member for the debts of a society as they existed on the date on which he ceased to be a member shall continue for a period of two years and no more reckoned from that date:

**Liability of past
member and estate
of deceased
member for debts of
society**

Provided that, if the first audit of the accounts of the society after his ceasing to be a member discloses a credit balance in favour of the society, the financial liability of such past member shall forthwith cease.

(2) Subject to the provisions of section *fifteen*, the estate of a deceased member shall be liable for the debts of a society as they existed on the date of his decease for a period of two years and no more reckoned from that date:

Provided that, if the first audit of the accounts of the society after his decease discloses a credit balance in favour of the society, such liability shall forthwith cease.

108. Subject to any prior claim of the Republic on the property of the debtor and to the lien or claim of a landlord in respect of rent or any money recoverable as rent and to any stop-order registered under the provisions of the Farmers' Stop-order Act, Chapter 226 of the 1952 Edition of the Laws, and to any agricultural charge registered under the provisions of the Agricultural Credits Act, and, in the case of immovable property, to any prior registered charge thereon-

**Creation of charges
in favour of
societies Cap. 224**

- (a) any debt or outstanding demand due and payable to a society by any member or past member shall be a first charge on all crops or other agricultural produce, felled timber or other forest produce, marine produce, fish, livestock, fodder, agricultural, industrial and fishing implements, plant, machinery, boats, tackle and nets, raw materials, stock-in-trade and generally all produce of labour and things used in connection with production raised, purchased or produced in whole or in part from any loan whether in money or in goods given him by the society:

Provided that nothing herein contained shall affect the claim of any *bona fide* purchaser for value without notice of the loan given by the society;

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

109. (1) Subject to the other provisions of this Act and the rules, a member may withdraw from a registered society under such conditions, and on giving such notice of withdrawal, as may be required by the by-laws.

**Withdrawal
by members**

(2) Payment of the shares or other interest of the member withdrawing under special circumstances, including illness, disability, permanent removal from the area or district served by the society, or death, shall be made in such order of priority as the by-laws may prescribe or, where not so prescribed, in such order of priority as the directors may approve.

(3) Where, upon the withdrawal of a member, to make payment for the shares held by the member at their par or paid-up value, or to make payment of any other interest of the member at the value shown on the books of the society, would, in the opinion of the directors, impair, or further impair, the financial stability of the society, the directors may suspend payment for such period as may be approved by the Registrar, or may offer in final settlement such lesser amount as they deem just.

(4) The directors shall deal promptly with all applications for withdrawal from membership.

110. (1) (a) Upon complaint arising against any member of a society, it shall be the duty of the Secretary, upon the instructions of the board of directors, to provide the member with written notice of the particulars of the complaint and of the date, time and place of the meeting of the board of directors at which the complaint and the question of the expulsion of the member will be considered.

**Expulsion of
a member**

(b) The directors may, at such meeting duly called and at which a majority of the directors are present, having given the member against whom the complaint has been raised the opportunity to make representations or submissions orally or in writing or both, in rebuttal or in mitigation, resolve, by at least a two-thirds majority vote, that the member be expelled.

(c) The Secretary of the society shall, within two weeks from the date on which the member is expelled, notify him in writing of the action of the directors.

(d) An appeal from the action of the directors may be taken by the member to the next general meeting of the society if written notice of intention to appeal is given by him to the Secretary of the society within thirty days from the date of receipt of the notice mentioned in paragraph (c).

(e) At such a meeting a majority of the members present may, after considering any written or oral representations by the member, confirm or rescind the action of the directors.

(f) If the meeting does not confirm the action of the directors in expelling the member, such expulsion shall be held to be null and void, and the member treated as if no such expulsion had occurred.

(2) Where the Registrar, after investigation, is of the opinion that a member has acted in contravention of the rules or the by-laws of the society, or has acted in a way that is detrimental to the interests of the society and its members, he may communicate his complaint in writing to the directors who shall thereupon proceed in accordance with the provisions of paragraphs (a) and (b) of subsection (1).

(3) The share capital or other interest in a society held by a member who is expelled under this section shall be refunded to him as soon as funds are available.

(4) A member who has been expelled from a society under this section shall forfeit all rights to share in the net surplus or other benefits of the society from the date of his expulsion, other than the right to have his share capital or other interest in the society refunded to him, together with such dividend as may later be declared and calculated up to the date his share capital or other interest was refunded.

(5) No person who has been expelled from a society shall be eligible for re-admission as a member within a period of one year from the date of his expulsion.

PART XIV DIRECTORS

111. (1) Every society shall have a board of directors consisting of such number of persons as shall be prescribed by its by-laws.

**Board of directors
(or committee)**

(2) Every reference in the by-laws of a society to a "committee" elected by the members to supervise the business and property of such society shall be deemed to have the same meaning as the words "board of directors" in subsection (1), and any reference in this Act to the powers and duties of directors shall apply to the powers and duties of such committee duly elected by the members of a society in accordance with its by-laws.

(3) The persons whose names appear in the application for the registration of a society shall, upon registration, be deemed to have all the powers and duties of directors, and shall direct the affairs of the society until their successors have been elected by the members at the first general meeting.

112. Where the by-laws of a society provide for the election of directors by members or delegates voting by districts, directors so chosen shall be deemed to be elected by all the members or delegates as if the election had been by vote of all the members or delegates present at a duly called meeting.

**Effect of election
of directors by
districts**

113. (1) Subject to the provisions of sections *sixty-three* and *seventy-four* (which relate to the duties of credit committees and supervisory committees in credit unions) the board of directors shall direct and supervise the business and property of a society and may exercise all such powers of the society as are not required by this Act, the rules or the by-laws to be exercised by resolution of the society in a general or special meeting.

**Duties and powers
of directors**

(2) Without limiting the generality of the provisions of subsection (1), the directors shall-

- (a) consider, and approve or reject, applications for membership of the society;
- (b) call for and examine regularly reports from officers of the society which will disclose the true position of the society, its operations and financial condition;
- (c) keep the members informed of the progress of the society, encourage interest and a sense of ownership on their part in the society, and have charge of any educational or advisory work amongst the members respecting co-operative principles and the objects of the society;
- (d) except in the case of a credit union, to which the provisions of Part VIII apply, prepare and present to the annual general meeting of the society a resolution determining the distribution of the net surplus for the previous financial year in accordance with the other provisions of this Act, the rules and the by-laws of the society;

- (e) make a report to the annual general meeting of the work of the directors during the preceding financial year, and the progress made by the society during that year, with such recommendations as they deem necessary to maintain or improve the services provided by the society to its members.

(3) A full and correct record shall be kept of all proceedings of the board of directors in carrying out its duties, and the records shall be available for inspection by or under the direction of the Registrar.

(4) If a director has an interest in any other society, company or organisation with which, to his knowledge, the society of which he is a director proposes to enter into a contract, he shall disclose the fact of his interest to his board of directors at or before the time the contract is made, and he shall not vote in respect of such contract; should he so vote, his vote shall not be valid.

114. The directors shall elect from their number a Chairman and one or more Vice-Chairmen, and may appoint and fix the remuneration of a Secretary, Treasurer, or a Secretary-treasurer or manager who need not be a member of the society.

Officers

115. The term of office of the directors shall be prescribed in the by-laws.

Term of office

116. No person other than a member of a society or delegate of a member society shall be eligible to be elected or appointed as a director of the society, except as provided in sections *one hundred and sixty-one* and *one hundred and sixty-two*.

Directors must be members

117. (1) Subject to the provisions of subsection (2), where a vacancy on the board of directors occurs otherwise than by expiration of the term of office, the remaining members of the board may, unless the by-laws provide otherwise, fill the vacancy until the next annual general meeting.

Vacancy on board of directors

(2) Where, by reason of vacancies on the board of directors, the number of directors is reduced to less than the number required by the by-laws to constitute a quorum for a meeting of directors, the remaining directors shall immediately call a special general meeting of the society to fill the vacancies.

118. The office of a director shall be vacated if the director-

**Vacation of office
of director**

- (a) is removed from his office under the provisions of section *one hundred and twenty-two*; or
- (b) holds any office of profit in the society other than that of Secretary, Treasurer, Secretary-treasurer or manager; or
- (c) becomes bankrupt; or
- (d) becomes of unsound mind; or
- (e) is concerned or participates in the profits of any contract made between the society and any other society, company or organisation in which he has an interest, the fact of which he knowingly failed to disclose to the board of directors at or before the time the contract was made; or
- (f) is convicted of any offence involving dishonesty or is imprisoned for three months or more; or
- (g) dies.

119. If a loan or other transaction is made in contravention of this Act, all directors, members of any committee and other officers of the society who made the loan or other transaction, or assented thereto, are jointly and severally liable to the society up to the amount of the loan or other transaction:

**Liability of directors
or other officers for
unlawful
transactions**

Provided that if, in proceedings to recover from a person mentioned in this section any amount for which he is liable hereunder, it appears to the court that he has acted honestly and reasonably and ought fairly to be excused in whole or in part for making or assenting to the loan or other transaction, the court may relieve him wholly or partly from personal liability.

120. (1) The directors shall hold meetings at such times as may be provided in the by-laws.

Meetings of directors

(2) Unless the by-laws provide otherwise, meetings of directors shall be held and notice thereof given in accordance with the resolutions of the directors.

(3) The Chairman may at any time and shall, if requested in writing by a majority of the directors to do so, call a special meeting of the directors.

(4) Unless the rules or the by-laws otherwise provide, the number of directors required to constitute a quorum for the transaction of business shall be a majority of the number of directors of the society; and if a quorum is not present at a meeting of the directors, those present shall adjourn the meeting from time to time until a quorum is present.

121. Subject to the rules, the directors may require every person appointed to an office pertaining to the receipt, management or expenditure of the money of a society to give such security as the directors deem sufficient.

Security

122. In the absence of a provision in its by-laws, a society may for good reason, by resolution passed by at least two-thirds of the members and delegates present at a general meeting or at a special meeting called for the purpose, remove any director before the expiration of his term of office.

Removal from office

PART XV MEETINGS

123. (1) Every society shall provide in its by-laws for an annual general meeting and may also provide for semi-annual, quarterly or other general meetings.

Annual and other general meetings

(2) Unless the by-laws otherwise provide, a notice of every general meeting shall be sent to each member or delegate entitled to attend the same, at least twenty-one days prior to the date of the meeting, at the address given in the register of members.

124. (1) The directors of a society may at any time and, where at least one-tenth of the members or one-quarter of the delegates so request shall, call a special meeting of members or members and delegates, as the case may be.

Special meetings

(2) Unless the by-laws otherwise provide, notice of all special meetings, together with a statement of the purpose thereof, shall be sent to each member or delegate who is entitled to attend the same, at least twenty-one days prior to the date of the meeting.

(3) No business other than that specified in the notice shall be transacted at a special meeting unless all members of and delegates to the society are present at the meeting and unanimously agree to discuss other business.

125. If at any time it is impracticable to call a general or special meeting of the society in the manner provided by this Act, or the by-laws, the Registrar may, on application to him for the purpose, prescribe the manner of calling the meeting.

Registrar may prescribe manner of calling meetings

126. Save as otherwise provided in this Act, the rules or the by-laws, the quorum at a general or special meeting of a society shall be a majority of the members, or delegates, or members and delegates, as the case may be, entitled to attend and vote.

Quorum

127. (1) If a society fails to hold an annual general meeting, the Registrar may call a meeting of the society to enable the members to secure such information regarding its affairs as they are entitled to receive under this Act, and to deal with any matter affecting the society and its affairs, including the adoption of additional by-laws or amendments to existing by-laws.

Power of Registrar to call meetings

(2) The Registrar may call a special meeting of the society for the purpose of reporting to the members the result of any audit, examination or other investigation of the society's affairs ordered or made by him.

(3) Notwithstanding any other provision in this Act, the rules or the by-laws, the quorum at a general or special meeting called by the Registrar under subsection (1) or (2) shall be the members or delegates attending.

128. (1) The authority of the members as joint owners of the business and property of a society shall be vested in the annual general meeting of members, and in any special meeting called in accordance with the provisions of this Part.

**Authority of
the members**

(2) Without limiting the generality of the provisions of subsection (1), the members at the annual general meeting shall confirm or amend the resolution of the board of directors respecting the distribution of the net surplus, if any, arising from the yearly business of the society, receive, discuss and dispose of the reports of officers of the society, the auditor's report, if any, the financial statement and the report of any inspection of the affairs of the society made by or under the direction of the Registrar, elect directors and committees as required by this Act, and make such decisions and recommendations as they deem necessary with respect to the objects and services of the society, for implementation by the directors and other officers.

(3) Officers may be paid reasonable travelling and other out-of-pocket expenses incurred by them in discharging their duties, and may be paid such honorarium as the by-laws of the society may permit, or such honorarium, payment of which shall be subject to the prior written permission of the Registrar, as the members may by majority vote approve at a general meeting.

(4) Receipt of an honorarium under the provisions of subsection (3) shall not imply that the recipient is the holder of an office of profit.

PART XVI CHARGES BY SOCIETIES

129. (1) Every charge created by a society and being either-

Registration

- (a) a charge for the purpose of securing any issue of debentures; or
- (b) a charge on uncalled or unpaid share capital of the society; or

- (c) a charge created or evidenced by an instrument which, if executed by an individual, would require registration as a bill of sale; or
- (d) a charge on land, wherever situate, or any interest therein; or
- (e) a charge on book debts; or
- (f) a floating charge on the undertaking or property of the society;

shall, so far as any security on the society's property or undertaking is thereby conferred, be void against the liquidator and any creditor of the society, unless the prescribed particulars of the charge, together with the instrument, if any, by which the charge is created or evidenced, are delivered to or received by the Registrar for registration in the manner required by this Act within thirty days after the date of its creating, but without prejudice to any contract or obligation for payment of the money thereby secured, and, when a charge becomes void under this section, the money secured thereby shall immediately become payable.

(2) Where a negotiable instrument has been given to secure the payment of any debts due to a society, the deposit of the instrument for the purpose of securing an advance to the society shall not for the purposes of this section be treated as a charge on those debts.

(3) The holding of debentures entitling the holder to a charge on land shall not be deemed to be an interest in land.

(4) The Registrar shall keep with respect to each society a register in the prescribed form of all charges requiring registration under this section, and shall, on payment of the prescribed fee, enter in the register, with respect to every charge, the date of creation, the amount secured by it, short particulars of the property charged and the names of the persons entitled to the charge.

(5) The Registrar shall give a certificate under his hand of the registration of any charge registered in pursuance of this section, stating the amount thereby secured, and the certificate shall be conclusive evidence that the requirements of this section as to registration have been complied with.

(6) It shall be the duty of the society to send to the Registrar for registration the particulars of every charge requiring registration under this section, but registration of any such charge may be effected on the application of any person interested therein:

Provided that where the registration is effected on the application of some person other than the society, that person shall be entitled to recover from the society the amount of any fees properly paid by him to the Registrar on the registration.

(7) The register kept pursuant to this section shall be open to inspection by any person on payment of the prescribed fee.

(8) Every society shall cause a copy of every instrument creating any charge requiring registration under this section to be kept at the registered address of the society.

(9) In this Part, the expression "charge" includes mortgage.

130. (1) If any person obtains an order for the appointment of a receiver or manager of the property of a society, or appoints such a receiver or manager under any powers contained in any instrument, he shall, within seven days from the date of the order or of the appointment under the powers contained in the instrument, give notice of the fact to the Registrar, and the Registrar shall, on payment of the prescribed fee, enter the fact in the register of charges.

Registration of enforcement of security and filing of accounts

(2) If any person makes default in complying with the requirements of subsection (1), he shall be guilty of an offence and liable on conviction to a fine not exceeding one hundred penalty units for every day during which the default continues.

(3) Every receiver or manager of the property of a society who has been appointed under the powers contained in any instrument, and who has taken possession, shall, once in every half year while he remains in possession, and also on ceasing to act as receiver or manager, file with the Registrar an abstract in the prescribed form of his receipts and payments during the period to which the abstract relates, and shall also, on ceasing to act as receiver or manager, file with the Registrar notice to that effect, and the Registrar shall enter the notice in the register of charges.

(4) Every receiver or manager who makes default in complying with the provisions of subsection (3) shall be guilty of an offence and be liable on conviction to a fine not exceeding one thousand penalty units.

(As amended by Act No. 13 of 1994)

131. A Judge, on being satisfied that the omission to register a charge within the time hereinbefore required, or that the omission or mis-statement of any particular fact with respect to any such charge was accidental or due to inadvertence or to some other sufficient cause, or is not of a nature to prejudice the position of creditors or of the society, or that on other grounds it is just and equitable to grant relief, may, on the application of the society or any person interested, and on such terms and conditions as seem to the Judge just and expedient, order that the time for registration be extended or, as the case may be, that the omission or mis-statement be rectified.

Rectification of register of charges

132. The Registrar shall, on evidence being given to his satisfaction that the debt for which any registered charge was given has been paid or satisfied, order that a memorandum of satisfaction be entered on the register, and shall if required furnish the society with a copy thereof.

Entry of satisfaction

133. If any society makes default in sending to the Registrar for registration the particulars of any charge requiring registration under this Part, then, unless the registration has been effected on the application of some other person, the society, and every officer thereof or other person who is knowingly a party to the default, shall be guilty of an offence and liable on conviction to a fine not exceeding one thousand penalty units for every day during which the default continues.

Failure to send particulars for registration

(As amended by Act No. 13 of 1994)

134. (1) Every society shall keep a register of charges and enter therein all charges specifically affecting property of the society and all floating charges on the undertaking or any property of the society, giving in each case a short description of the property charged, the amount of the charge, and the names of the persons entitled thereto.

Society's register of charges

(2) If any officer knowingly and wilfully authorises or permits the omission of any entry required to be made pursuant to this section, he shall be guilty of an offence and liable on conviction to a fine not exceeding one thousand penalty units.

(As amended by Act No. 13 of 1994)

135. (1) The copies of instruments creating any charge requiring registration under this Part and the register of charges kept pursuant to the last foregoing section, shall be available at all times for inspection by any creditor or member of the society without fee, and the said register of charges shall also be open for inspection by any other person on payment of such fee, not exceeding one hundred kwacha for each inspection, as the society may prescribe.

Right to inspect copies of instruments and register of charges

(2) If inspection of the said copies or register is refused, any officer refusing inspection or authorising or knowingly and wilfully permitting the refusal shall be guilty of an offence and liable on conviction to a fine not exceeding one hundred penalty units, and a further fine not exceeding one hundred and forty penalty units for every day during which the refusal continues; and, in addition to the above penalty, any Judge sitting in Chambers may by order compel an immediate inspection of the copies or register.

(As amended by Act No. 13 of 1994)

136. A condition contained in any charge created by a society shall not be invalid by reason only that thereby the charge is made irredeemable or redeemable only on the happening of a contingency, however remote, or on the expiration of a period, however long, any rule of equity to the contrary notwithstanding.

Perpetual charges

PART XVII ADMINISTRATION OF SOCIETIES

137. Every society shall have a registered office to which all communications and notices may be addressed. **Registered office**

138. (1) Every society shall have a corporate seal which shall contain the name of the society. **Seal**

(2) The seal of a society shall not be affixed to any instrument except by the authority of a resolution of the board of directors, and the application of the seal shall be authenticated by the signatures of two directors and of the Secretary.

139. (1) Every society shall keep such records and books of accounts as the Registrar may require, including a proper set of commercial books, in which all transactions of the society shall be clearly entered. **Books and records**

(2) Subject to such conditions as may be prescribed by the rules, the records of the society shall be open for inspection by any member or delegate during the usual office hours at the registered office of the society:

Provided that no person who is not an officer of the society, nor specially authorised by resolution thereof, shall have the right to inspect the account of any other member without the written consent of that member.

(3) A copy of any entry in a book of a society regularly kept in the course of business may be authenticated by a certificate written at the end of such copy declaring that it is a true copy of such entry and that the book containing the entry is still in the custody of that society, such certificate being dated and signed by the Secretary of the society and one member of the board of directors.

(4) If authenticated as aforesaid, any such copy as is mentioned in subsection (3) shall be received in any legal proceedings, civil or criminal, as *prima facie* evidence of the existence of such entry and of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

(5) No officer of any society shall, in any legal proceedings to which the society is not a party, be compelled to produce any of the society's books, the contents of which can be proved under subsections (3) and (4), or to appear as a witness to prove any matters, transactions or accounts therein recorded, unless the court for special reasons so directs.

140. (1) Subject to the provisions of paragraph (c) of section *seventy-four* and sections *seventy-five* and *one hundred and forty-one* the Registrar shall audit, or cause to be audited by some person authorised by him by general or special order in writing, the accounts of every society at least once in every year. **Audit and investigation by Registrar**

(2) The audit under subsection (1) shall include the examination of accounts receivable, accounts payable and overdue debts, if any, and a valuation of the assets and liabilities of the society.

(3) The Registrar and every person appointed to audit the accounts of a society shall have power when necessary-

- (a) to summon at the time of his audit, any officer, employee or member of the society who he has reason to believe can give information in regard to any transactions of the society or the management of its affairs;
- (b) to require the production of any book or document relating to the affairs of, or any cash or securities belonging to, the society, by an officer, agent, employee or member in possession of such book, document, cash or securities;
- (c) to examine any officer of the society under oath.

(4) When the accounts of a society have been audited, the report of the auditor shall be presented to the annual general meeting and to the Registrar.

(5) When the Registrar is of the opinion that the affairs of a society require an immediate investigation in order to safeguard the interests of the members, or the rights of creditors, he may order a special investigation to be made by some person authorised by him.

(6) A report of any special investigation made under subsection (5) may be presented to a special meeting of the members called by or under the direction of the Registrar.

141. (1) The annual audit of the books and accounts of a society whose total assets exceed such an amount as shall be prescribed from time to time by the Minister by statutory order shall be conducted by a person publicly carrying on the profession of accountant in Zambia, appointed by the Registrar or engaged by the board of directors of the society with the approval of the Registrar.

**When public
accountant required
as auditor**

(2) A federation registered under the provisions of Part XII, with objects which include the provision of auditing services, may appoint such an accountant as auditor for a society which is a member of such federation, and, if its by-laws so permit, for any other society at the request of that society or the Registrar.

(3) The rules may provide that a society, for whom the services of such an accountant are required as auditor under subsection (1), shall become a member of a federation registered under section *ninety-one* with objects which include the provision of auditing services, and shall request such federation to appoint the auditor for the society.

(4) An auditor engaged or appointed under this section shall make a report to the members of the society on the accounts and balance sheet examined by him, and shall state in the report-

- (a) whether or not he obtained all the information and explanations he required;
- (b) whether, in his opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the society's affairs according to the explanations given, and as shown by the books of the society;
- (c) whether, in his opinion, all the transactions of the society which have come to his notice have been within the objects and powers of the society.

(5) The auditor shall disclose to the Registrar any matter or circumstance which has come to his knowledge or attention during the course of his audit which will, in his opinion, assist the Registrar with the administration of this Act, and the Registrar may enlarge or extend the scope of the audit and direct that any further or particular examination be made or any other procedure for the audit be adopted.

142. The Registrar, or any person authorised by general or special order in writing by the Registrar, shall at all reasonable times have access to all the books, accounts, papers and securities of a society, and shall be entitled to inspect the cash in hand, and every officer of the society shall furnish such information in regard to the transactions and operations of the society as the person making the inspection may require.

Power of Registrar to inspect societies' books, etc.

143. (1) Every society shall, within six months after the end of each financial year, send to every member who requests it, an audited statement of the receipts and expenditures and of the assets and liabilities of the society.

Yearly and other returns

(2) Every society shall furnish the Registrar with such annual and other returns and information as he may require.

(3) Every return and other document required under this Act shall be made in such form as the Registrar may require or as may be prescribed in the rules.

(4) If any person wilfully makes, orders or allows to be made any entry or erasure in, or omission from, any balance sheet of a society, or any collecting book, or any return or document required to be sent, produced or delivered for the purposes of this Act, with intent to falsify the same, or to evade any of the provisions of this Act, he shall be guilty of an offence and liable on conviction to a fine not exceeding one thousand five hundred penalty units:

Provided that a person shall not be prosecuted for an offence under this section without the written consent of the Director of Public Prosecutions.

(As amended by Act No. 13 of 1994)

PART XVIII AMALGAMATION AND DIVISION OF SOCIETIES

144. (1) Subject to the approval of the Registrar, any two or more societies may, by special resolution of each of those societies, become amalgamated together as one society, with or without any dissolution or division of the funds of those societies or any of them; and the property of each of those societies shall become vested in the amalgamated society, without the necessity of any form of conveyance or assignment, upon the registration of the amalgamated society.

Amalgamation of societies

(2) Subject to the approval of the Registrar, any society may by special resolution transfer its engagements to any other society which undertakes to fulfil those engagements; and if that resolution approves the transfer of the whole or any part of the society's property to that other society, the whole or, as the case may be, that part of the society's property shall vest in that other society, without the necessity of any form of conveyance or assignment, upon the registration of the resolution.

(3) At such meeting as aforesaid a declaration by the Chairman that the resolution has been carried shall be deemed conclusive evidence of that fact.

(4) Two copies of every such special resolution, signed by the Chairman of the meeting at which the resolution was passed and countersigned by the Secretary of the society, shall be sent within twenty-one days of the passing thereof to the Registrar with, in the case of an amalgamation, three copies of the by-laws of the amalgamated society.

(5) Subject to being provided with such additional information as he may require, the Registrar may approve and register the resolution, and, in the case of an amalgamation, register the amalgamated society and its by-laws; and until the resolution is so registered it shall not take effect.

(6) An amalgamation or transfer of engagements in pursuance of this section shall not prejudice any right of a creditor of any society which is a party thereto.

(7) Upon the registration of such resolutions, amalgamated society and by-laws, the Registrar shall endorse his certificate of registration upon one copy of each resolution and by-laws, as the case may be, and return it to the society which sent it.

(8) Whenever, in pursuance of this section, any property, rights, liabilities or obligations of a society become vested in an amalgamated or other society, in respect of the transfer of which any written law provides for registration, it shall be the duty of the amalgamated or other society to make written application to the proper officer of the appropriate registration authority for the registration of such transfer, and it shall be the duty of such officer, on production of the appropriate resolutions duly registered by the Registrar, and, in the case of an amalgamation, the certificate of registration, to make such entries in the appropriate register as shall give effect to such transfer and, where appropriate, to issue to the amalgamated or other society concerned a Certificate of Title or a Provisional Certificate in respect of the said property, or to make necessary amendments to the register, as the case may be, and, if presented therefor, to make endorsement on the deed relating to the title, right or obligation concerned.

145. (1) Subject to the approval of the Registrar and subject to such conditions as may be prescribed in the rules, a society may, by a special resolution, resolve to divide itself into two or more societies.

Division of societies

(2) The resolution shall contain proposals for the division of the assets and liabilities of the society among the new societies into which it is proposed to divide, and shall prescribe the area of operation of, and specify the members who will constitute, each of the new societies; and the property of the society, other than land or an interest in land, shall vest in the new societies in accordance with the division determined in the resolution upon the registration of the new societies.

(3) Two copies of the resolution, signed by the Chairman of the meeting at which the resolution was passed and countersigned by the Secretary of the society, shall be sent within twenty-one days of the passing thereof to the Registrar, with three copies of the by-laws of the proposed new societies.

(4) Subject to being provided with such additional information as he may require, the Registrar may, if satisfied that the proposed division is in the interest of the members, and does not prejudice the rights of any creditor, register the resolution, the new societies and their respective by-laws, and cancel the registration of the original society; and until the resolution is so registered it shall not take effect.

(5) A division of a society in pursuance of this section shall not prejudice any right of a creditor of the society divided.

(6) Upon the registration as aforesaid, the Registrar shall endorse his certificate of registration upon one copy of the resolution and return it to the original society with his certificate of cancellation of its registration, and shall likewise endorse the by-laws of the new societies and send one copy thereof to each of the new societies with their certificates of registration.

PART XIX DISSOLUTION AND WINDING-UP

146. (1) The Registrar may make an order in writing for the cancellation of the registration of a society if satisfied that-

Dissolution of societies

- (a) the registration was obtained by fraud or mistake; or
- (b) the society exists for an illegal purpose; or
- (c) the society has wilfully, after notice by the Registrar, contravened any of the provisions of this Act, the rules or the by-laws; or
- (d) the society is no longer operating in accordance with co-operative principles; or
- (e) the number of members of the society has fallen below the minimum required by this Act; or
- (f) the society is no longer in business or operation; or
- (g) the results of an investigation made under section *one hundred and forty* show that the society is unable to continue in business.

(2) Upon receipt by the Registrar of an application from a society made in pursuance of a special resolution and requesting the cancellation of the registration of that society, he may, subject to the immediately following subsections, make an order for the cancellation of the registration of such society.

(3) Any member of such a society may, within sixty days from the date of an order under subsection (1), appeal from such order to the Minister.

(4) Where no appeal is presented within sixty days from the making of an order cancelling the registration of a society under subsection (1), the order shall take effect upon the expiration of that period; but where an appeal is presented within sixty days, the order shall not take effect unless and until the appeal is disallowed by the Minister.

(5) Where the Registrar makes an order for the cancellation of the registration of a society under this section, he may make such further order as he may think fit for the custody of the books and documents and the protection of the assets of the society until the order cancelling the registration takes effect.

(6) No society shall be wound up except by order of the Registrar.

(7) When the registration of a society is cancelled by an order under this section, the society shall from the date on which the order takes effect cease to exist as a body corporate and shall cease to carry on any business, make any transactions or do any act affecting its property or its members or patrons.

(8) Where the registration of a society is cancelled by an order under this section, a floating charge on the undertaking or property of such society which was created within twelve months prior to the date of dissolution of such society shall, unless it is proved that the society, immediately after the creation of the charge, was solvent, be invalid except to the amount of any cash paid to the society at the time of or subsequently to the creation of, and in consideration for, the charge, together with interest on that amount at a rate not exceeding six per centum per annum.

147. (1) Where the Registrar makes an order cancelling the registration of a society under the provisions of section *one hundred and forty-six*, he may, either before or after the said order takes effect, also make an order appointing one or more persons to be, subject to his direction and control, liquidator or liquidators of the society.

**Liquidation
after
cancellation of
registration**

(2) The assets of the registered society shall vest forthwith in the liquidator or liquidators appointed under this section with effect from the appointment:

Provided that if any appeal made under the provisions of subsection (3) of section *one hundred and forty-six* is upheld and the order cancelling registration is set aside, then the appointment of any liquidator or liquidators shall cease forthwith and the assets of the society shall forthwith again vest in the society, but without prejudice to the validity of any acts lawfully performed by a liquidator in terms of this Act.

148. (1) A liquidator appointed under the provisions of section *one hundred and forty-seven* shall, subject to the guidance and control of the Registrar, and to any limitations imposed by the Registrar by an order under the provisions of section *one hundred and forty-nine*, have power to-

Liquidator's powers

- (a) determine from time to time the contribution to be made by members and past members or by the estates or deceased members of the society to its assets;

- (b) appoint, and give notice of, a day before which creditors, whose claims are not already recorded in the books of the society, shall state their claims or be excluded from any distribution;
- (c) decide in accordance with the law relating to bankruptcy and subject to the provisions of section *one hundred and fifty-three* of this Act, any question of priority which arises between creditors;
- (d) refer disputes to arbitration and institute and defend suits and other legal proceedings on behalf of the society;
- (e) decide by what persons and in what proportions the costs of liquidation are to be borne;
- (f) give such directions in regard to the collection and distribution of assets as may be necessary in the course of winding up the society;
- (g) compromise any claim by or against the society with the approval of the Registrar;
- (h) call such general meetings of members as may be necessary for the proper conduct of the liquidation;
- (i) take possession of the books, documents and assets of the society;
- (j) carry on the business of the society so far as may be necessary for winding it up beneficially, but not to issue any loans; and
- (k) arrange for the distribution of the assets of the society in a convenient manner when a scheme of distribution has been approved by the Registrar.

(2) Subject to such rules as may be made in this behalf, any liquidator appointed under this Act shall, in so far as such powers are necessary for carrying out the purpose of this section, have power to summon and enforce the attendance of parties and witnesses, and to compel the production of documents by the same means and (so far as may be) in the manner as is provided in the case of a civil court.

149. A liquidator shall exercise his powers subject to control and revision by the Registrar, who may-

- (a) rescind or vary any order made by a liquidator and make whatever new order is required;
- (b) remove a liquidator from office;
- (c) call for all books, documents and assets of the society;
- (d) by order in writing limit the powers of the liquidator under the provisions of the foregoing section;

Power of Registrar to control liquidation

- (e) require accounts to be rendered to him by the liquidator;
- (f) procure the auditing of the liquidator's accounts and authorise the distribution of the assets of the society;
- (g) make an order for the remuneration of the liquidator;
- (h) refer any subject of dispute between a liquidator and any third party to arbitration if that party shall have consented in writing to be bound by the decision of the arbitrator.

150. An appeal to a subordinate court of the first class, having jurisdiction over the area in which the headquarters of the society are situated, from any act, decision or instruction, done or given by a liquidator under the provisions of section *one hundred and forty-eight*, or by the Registrar under the provisions of section *one hundred and forty-nine*, may, with the written consent of the Attorney-General, be made in the manner prescribed in the rules.

**Appeals
against
decisions**

151. Orders, decisions or instructions given under the provisions of sections *one hundred and forty-eight*, *one-hundred and forty-nine* and *one hundred and fifty* may be enforced as follows:

**Enforcement
of decisions**

- (a) when given by a liquidator or the Registrar, by any court having jurisdiction, in the same manner as a decree of such court;
- (b) when given by a subordinate court of the first class on appeal, in the same manner as a decree of such court.

152. Save in so far as is hereinbefore expressly provided, no civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a society under this Act.

**Limitation of the
jurisdiction of the
civil court**

153. (1) In the liquidation of a society whose registration has been cancelled, the funds, including the reserve fund, shall be applied first to the costs of liquidation, then to the discharge of the liabilities of the society, then to the payment of the share capital and then, if the by-laws of the society so permit, to the payment of a dividend at a rate not exceeding six per centum per annum for any period for which no disposal of the net surplus was made.

Closure of liquidation

(2) When the liquidation of a society has been closed and any creditor of that society has not claimed or received what is due to him under the scheme of distribution, notice of the closing of the liquidation shall be published in the *Gazette*, and all claims against the funds of the society liquidated shall be cancelled when two years have elapsed from the date of the publication of the notice in the *Gazette*.

(3) Any surplus remaining after the application of the funds to the purposes specified in subsection (1), and to the payment of any claims not cancelled under subsection (2), shall-

- (a) be distributed amongst the members at the time of dissolution (or their legal personal representatives) in proportion to the value of the business of each such member with the society during the three years immediately preceding the date of dissolution or, if the society has not existed for such period, during the existence of the society or, if the society has done no business during these three years, then in proportion to the share capital held by them at such date;
- (b) if it is impracticable to make a distribution in accordance with paragraph (a) whether through insufficiency of funds or otherwise, be paid, subject to the approval of the Registrar (either in whole or as to any residue of a partial distribution) to local organisations with objectives beneficial to the community.

PART XX DISPUTES

154. (1) If any dispute touching the business of a society arises-

Settlement of disputes

- (a) among members, past members, and persons claiming through members, past members and deceased members; or
- (b) between a member, past member, or person claiming through a member, past member or deceased member, and the society, its board of directors, or any officer of the society; or
- (c) between the society or its board of directors and any officer of the society; or
- (d) between the society and any other society;

such dispute may, unless the by-laws provide for the arbitration of disputes, be referred to the Registrar for decision.

(2) A claim by a society for any debt or demand due to it from a member, past member or the nominee or legal personal representative of a deceased member, shall be deemed to be a dispute touching the business of the society within the meaning of subsection (1).

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

- (a) decide the dispute himself; or

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

Provided that if the question at issue in such dispute is one involving complicated questions of law and fact, or one of the parties requests that the dispute be referred to a civil court, the Registrar may, in his discretion, suspend proceedings in the matter until the question has been determined by a civil suit instituted by one of the parties to the dispute; if no such suit is instituted within six months of the Registrar's order suspending proceedings, the Registrar shall take action in accordance with the foregoing provisions of this subsection.

(4) Any party aggrieved by the award of the arbitrator or arbitrators may appeal therefrom to the Registrar within one month of such award.

(5) An appeal to the Minister against a decision of the Registrar under subsection (3) or (4) shall lie within two months of such decision.

(6) An award of the arbitrator or arbitrators, or a decision of the Registrar under the provisions of this section, if no appeal is made therefrom, or if any such appeal is lost, abandoned or withdrawn, and the decision of the Minister under subsection (5), shall be final and shall not be called in question in any civil court, and shall be enforced in the same manner as if the award or decision had been a judgment of a civil court.

155. (1) Notwithstanding anything contained in the last foregoing section, the Registrar at any time, when proceeding to a decision under this Act, may refer any question of law involved in such decision for the opinion of the High Court.

**Case stated
on question
of law**

(2) Any Judge, as the Chief Justice may direct, may consider and determine any question of law so referred, and the opinion given on such question shall be final and conclusive.

PART XXI RULES

156. (1) For the purpose of carrying out the provisions of this Act according to their intent, and to facilitate the administration of societies, the Minister may, by statutory instrument, make such rules and orders as are ancillary thereto and are not inconsistent therewith, for any society, or kinds or classes of societies, or societies seeking registration.

**Purpose and
contents of rules**

(2) Without restricting the generality of the foregoing, the Minister may make rules and orders respecting-

- (a) provisions other than those prescribed in this Act which shall be contained in the by-laws of a society;
- (b) fees to be paid under the provisions of this Act, or any rule;
- (c) the procedure to be followed in applying for the registration of a society;
- (d) model by-laws for different kinds of societies;
- (e) the forms to be used, the conditions to be complied with and procedure to be followed by persons, societies or other organisations applying for admission as members;
- (f) the rights in a society of a minor under the age of sixteen years, subject to section *ninety-five*;
- (g) the manner in which payment of their interest in a society may be made to members who have been expelled;
- (h) the procedure for the nomination of a person to receive a deceased member's shares or interest, and the manner in which the value of such shares or interest shall be ascertained;
- (i) the procedure at general or special meetings of members, the order of business at such meetings, the nomination and election of officers, the methods of voting, the quorum at meetings and the reports of results of elections and of the appointment of officers which have to be forwarded to the Registrar;
- (j) the procedure at meetings of boards of directors, the quorum and order of business at such meetings and the manner in which boards of directors shall carry out their duties;
- (k) the procedure at meetings of credit committees and supervisory committees elected or appointed by a credit union or a federation, and the manner in which such committees shall carry out their duties;
- (l) the duties of and procedure to be followed by officers, including the Chairman, Vice-Chairman, Secretary, Treasurer and Secretary-treasurer, and the manner in which these duties may be modified or altered when assigned to a manager or a managing director;
- (m) the conditions under which a society marketing agricultural products, handling agricultural requisites or providing farming services may, subject to section *thirty-three*, be authorised to accept interest-bearing savings deposits from its members;

- (n) the conditions under which a society marketing agricultural products, handling agricultural requisites or providing farming services may, subject to section *thirty-five*, be authorised to make loans to its members;
- (o) the procedure by credit unions and federations in providing savings and credit services to their members under Part VIII or under paragraph (a) (iii) of section *ninety-one*, including the purchase and withdrawal of shares by members, the making and withdrawal of deposits by members, the manner of making loans to members, the deposit and payment of funds of the credit union or society, the maintenance of a cash fund to meet withdrawals, the qualifications of officers, and requirements for the keeping of records;
- (p) the maintenance of reserve funds, the objects for which such funds may be applied, and the investment of funds controlled by a society;
- (q) the minimum amount and form of security which may be required by the directors from any person appointed to an office relating to the receipt, management or expenditure of money;
- (r) when a society shall be required to become a member of a federation registered under section *ninety-one* with objects which include the provision of auditing services, the appointment of such federation as auditor for the society;
- (s) the manner in which any question of breach of contract involving the disposal of agricultural products or natural products to or through the society may be determined, and the manner in which liquidated damages for such breach may be assessed, if the question is not referred to the courts;
- (t) the conditions under which funds may be raised by a society by means of the sale of bonds, debentures or other securities of the society, and the information respecting the sale of such bonds, debentures or securities to be filed with the Registrar or with a board constituted under section *one hundred and sixty-four*;
- (u) the duties of and the procedure to be followed by a board constituted under section *one hundred and sixty-four*;
- (v) the form of yearly or other financial returns and reports to be filed by societies with the Registrar;
- (w) provision for the audit of the accounts of societies, for the charges, if any, to be made for such audit, for the levy of contributions from all or any societies to be paid into a fund to be used to finance the audit of such accounts, and for the administration of such fund.

PART XXII ORGANISATION AND SUPERVISION

157. (1) The Registrar or any person authorised to act for him shall, at the request of any person or groups of persons interested in the organisation of a society under this Act, furnish such information regarding co-operative principles, practices and organisation as will assist them in determining the feasibility of such organisation and facilitate registration.

**Assistance
with co-
operative
organisation
and education**

(2) Where the Registrar is of the opinion that a group or groups of persons can improve the conditions under which they live, or can provide themselves with new services which they need, by the organisation, registration and operation by them of a society under this Act, the Registrar, or any person authorised to act for him, may offer to assist such group or groups of persons with such information respecting co-operative principles, practices and organisation as will enable them to determine the feasibility of such organisation and registration.

(3) Where a federation has been registered under Part XII with objects which include the provision of education and advisory work relating to co-operative enterprises and development, the Registrar may request such federation to furnish information regarding co-operative principles, practices and organisation required pursuant to subsection (1), or carry on such educational and advisory work as will assist in determining the feasibility of organising a society under the conditions mentioned in subsection (2).

158. (1) The Registrar, or any person authorised to act for him, shall provide, or cause to be provided, such inspection, examination, and technical or other information and advice regarding the affairs of a society as may be necessary to assist its officers and members in the due observance of and compliance with this Act, and in the achievement of the objects and the purposes of the society on a co-operative basis.

**Inspection and
advisory services
by Registrar, etc.**

(2) Subject to the provisions of subsection (1), the Registrar may encourage and arrange with the officers of a federation registered under Part XII, where consistent with its objects, to provide such technical or other information and advice regarding the operations of a society which is a member of such federation, as may be necessary to assist its officers and members in the achievement of its objects and purposes, and, where appropriate, to provide to the society other services designed to facilitate the inspection and examination of its affairs.

(3) Subject to instructions from the Minister, the Director of Co-operative Societies may arrange with the proper officers of any department or agency of the Government that such department or agency undertake to provide such technical or other information and advice regarding the operations of a society as may be necessary to assist its officers and members in the achievement of its objects and purposes, and, where appropriate, to provide to the society other services designed to facilitate inspection and examination of its affairs in accordance with this section.

159. The Registrar may, upon request and upon an indication of the proposed objects or purposes, prepare such by-laws as may be required for any society, or proposed society.

Registrar may supply by-laws

160. (1) Upon payment of the prescribed fee, any person may inspect in the office of the Registrar the by-laws of any society registered under this Act.

Inspection of records

(2) A certified copy of the by-laws of any society registered under this Act may be furnished at cost.

(3) Except with the consent of the Registrar, no other document or part thereof relating to any society registered under this Act shall be available for search.

161. (1) The Registrar may of his own accord, and shall on the direction of the Minister, appoint one or more special members to the board of directors of a society, or one or more special officers to manage the affairs of a society, or to assist the persons deemed to have all the powers and duties of directors under the provisions of subsection (3) of section *one hundred and eleven*, or to provide other services required for its management.

Appointment of special directors and other officers

(2) The number of special members appointed to the board of directors under subsection (1) shall not exceed one-third of the number of directors prescribed in the by-laws, including the Chairman and the Vice-Chairman.

(3) Action may be taken under subsection (1) if-

- (a) deemed necessary to assist the society to achieve its objects or otherwise deemed to be in the interests of the member; or
- (b) the society has received a grant-in-aid from the Government or an agency of the Government; or
- (c) money has been lent to the society by the Government or an agency of the Government and the loan or a portion thereof has not been repaid by the society; or
- (d) a loan made to the society has been guaranteed by the Government or an agency of the Government, and either such guarantee is still outstanding or the Government or agency of the Government has been called upon to make a payment in respect of such guarantee, and the society has failed to pay to the Government or its agency all or a portion of the sum paid out as a result of the implementation of the guarantee.

(4) Special members appointed to the board of directors under subsection (1) shall exercise all the powers and responsibilities of directors elected by the members of the society under this Act.

(5) Special officers appointed under subsection (1) to provide services with respect to the management of the society shall exercise all the powers and responsibilities of officers appointed by or under the authority of directors under this Act.

(6) Special members appointed to the board of directors under this section may require that a decision of the board in any particular case shall not take effect until it has received the approval of the Minister or the Registrar, as the case may be.

(7) Special members appointed to the board of directors under this section shall assist the board in its duties and responsibilities as prescribed in section *one hundred and thirteen*, including the provision of training courses for directors and other officers, and in any educational or advisory work respecting co-operative principles and methods carried on among the members of the society under the direction of the board.

(8) The allowance or salary, if any, of a person or persons appointed under subsection (1) shall, if the Registrar so directs, be paid out of the society's funds.

(9) Where the objects of a society include the marketing of agricultural products, the handling of agricultural requisites or the marketing of natural products, management services to be provided to such society by special officers pursuant to action taken under subsection (1) may, with the approval of the Minister, be provided by another society or by or under the direction of a marketing board or other authority established by law for the purpose of marketing agricultural products, handling agricultural requisites or marketing natural products.

(10) Special members of the board of directors or special officers appointed under this section shall continue in office until the Registrar, subject to instructions from the Minister, is satisfied that the administration and management of the affairs of the society can be carried on exclusively by its elected directors, or officers appointed by or under the authority of such directors.

162. (1) When the investigation of the affairs of a society discloses that elected directors or other officers are not performing their duties properly, or that their actions are detrimental to the interest of the members or creditors, the Registrar may of his own accord, and shall on the direction of the Minister, remove such directors or other officers, as the case maybe, from office, and order that the affairs of the society shall be administered by one or more special directors, or managed by one or more special officers, all to be appointed by him.

**Removal of
directors and other
officers**

(2) Special directors appointed under subsection (1) shall have authority to exercise all the powers and responsibilities of directors elected by members of the society under this Act, and be entitled to receive such allowance or salary, if any, as the Registrar may determine.

(3) Special officers appointed under subsection (1) to provide services with respect to the management of the society, shall have authority to exercise all of the powers and responsibilities of officers appointed by or under the authority of directors of the society under this Act, and be entitled to receive such allowance or salary, if any, as the Registrar may determine.

(4) An order made by the Registrar under subsection (1), including the appointment of special directors or other officers to replace those removed, shall be reported by the Registrar or his representative to the next general meeting of members, giving the reasons therefor.

(5) The allowance or salary, if any, of persons appointed under subsection (1) shall, if the Registrar so directs, be paid out of the society's funds.

(6) Where the objects of the society include the marketing of agricultural products, the handling of agricultural requisites or the marketing of natural products, management services to be provided to such society by special officers pursuant to action taken under subsection (1) may, with the approval of the Minister, be provided by another society or by or under the direction of a marketing board or other authority established by law for the purpose of marketing agricultural products, handling agricultural requisites or marketing natural products.

(7) Special directors or other officers appointed under subsection (1) shall, at such times as the Registrar may approve, call meetings of the members of the society to report to them on the affairs of the society, and shall carry on amongst the members of the society such educational and advisory work respecting co-operative principles and practices as they deem necessary to facilitate resumption of the administration and management of the society by its own directors and officers.

(8) Special directors or other officers appointed under this section shall continue in office until the Registrar, subject to instructions from the Minister, is satisfied that the administration and management of the affairs of the society can be resumed by its own directors and officers.

(9) Appointments of special directors or other officers made under this section, and the cancellation of the appointment of such special directors or other officers, shall be published by notice in the *Gazette*.

163. (1) Where the Registrar is of the opinion that the financial position of a society, or the manner in which it is being operated, as disclosed by an investigation or an examination under this Act, necessitates the appointment of an administrator to protect the interests of members, he may of his own accord, and shall on the direction of the Minister, appoint an administrator and fix his remuneration.

**Appointment
of
administrator**

(2) An administrator appointed under subsection (1) shall have all the powers and may perform all or any of the duties of the board of directors, of any committee or of any other officers, shall be responsible to the Registrar for the conduct of the business of the society, shall carry out all orders and directions of the Registrar with respect to the society and may pay the expenses of his administration out of the funds of the society.

(3) Where an administrator is appointed under subsection (1), no member of the board of directors or of any committee, nor any other officer of the society shall thereafter, so long as the administrator remains in charge of the conduct of the business of the society, exercise any of the powers conferred upon them by this Act, the rules or the by-laws.

(4) The administrator shall take steps and do all things necessary to protect the interests of the members and the rights of the creditors of the society and shall maintain, so far as is practicable, the services of the society to its members.

(5) For the purpose of this section, the administrator shall have access to all books, accounts, securities, documents, vouchers and cash of the society, and shall have control of all the property of the society.

(6) Subject to the approval of the Registrar, the administrator may call a meeting of the members of the society to report to them on the affairs of the society and the steps taken by him to protect their interests.

(7) The administrator shall conduct the business of the society until the Registrar, subject to instructions from the Minister, is satisfied that the administration and management of its affairs can be resumed by its own directors or other officers, or until the society is dissolved and a liquidator appointed.

164. (1) The Minister may constitute a board of not more than five persons to review, at his request-

Board of review

- (a) applications by societies for grants-in-aid from the Government, or proposals to make such grants-in-aid to societies;
- (b) applications from societies for loans from the Government or from an agency of the Government, or for the consolidation or refinancing of such loans if they have not been repaid in whole or in part;

- (c) applications from lending agencies for guarantees of the repayment of moneys lent, or to be lent to societies;
- (d) the information filed with the Registrar respecting the proposed sale of securities by a society pursuant to subsection (3) of section *one hundred and sixty-six*.

(2) The board may recommend, for the consideration of the Minister, approval of or changes in an application made pursuant to paragraphs (a), (b) and (c) of subsection (1) and may prescribe conditions which have to be complied with by a society before receiving any grant or loan, or before any guarantee is given.

(3) When the board is requested to review the information filed with the Registrar pursuant to subsection (3) of section *one hundred and sixty-six*, the board may, subject to the approval of the Minister, prescribe the manner of creating and setting aside by the society of reserves, or prescribe some other plan to be put into effect by such society for the purpose of ensuring the payment of interest on securities sold and the repayment of the principal sum secured thereby, as and when the interest and principal respectively become due.

(4) If the board disapproves of an application referred to it pursuant to paragraphs (a), (b) and (c) of subsection (1), or of the proposed sale of securities pursuant to paragraph (d) of that subsection, the board shall report the reasons for such disapproval to the Minister.

PART XXIII MISCELLANEOUS

165. (1) All sums due to the Government from society, or from an officer or member or past member of a society, as such, may be recovered in the manner provided for the recovery of debts due to the Government under the law for the time being in force.

Recovery of sums due to Government

(2) Sums due from a society to the Government may be recovered firstly from the property of the society and secondly from the members, subject to the limit of their liability.

166. (1) A credit union registered for the promotion of thrift amongst its members and the creation of a source of credit for its members as provided under section *fifty-three*, and any federation registered for objects and purposes provided in paragraph (c) of section *ninety-one*, shall be exempt from the provisions of any written law specially governing banks.

Special exemptions

(2) The Minister may, by statutory instrument, remit in the case of any society or class of societies any fee payable under any law requiring registration and for the time being in force:

Provided that such remittance of duty or fees may be withdrawn by the Minister at any time in like manner.

(3) A society shall be exempt from the provisions of any written law for the time being in force governing the sale of securities:

Provided that if the society intends to invite its members or the public, or both, to subscribe for or purchase any bonds or debentures or any other securities of the society, having a definite date of maturity and bearing interest, it shall, before making such offer, file with the Registrar such information as he may require, or as the rules may prescribe, including the amount to be offered for purchase or subscription, the purposes for which the amount to be subscribed or purchased is to be used, and the security to be offered.

(4) Notwithstanding anything in the Trades Licensing Act, or any subsequent law relating to trade licensing, it shall not be obligatory upon any society to obtain a licence to carry on trade or business in so far as the trade or business carried on is exclusively with the members of the society.

Cap. 393

167. The Minister may, by statutory instrument, exempt any society or class of societies from any of the provisions of this Act under such conditions as he may think fit, or may direct that such provisions shall apply to any society or class of societies with effect from such date or with such modifications as may be specified in the order.

Power to exempt societies from provisions of this Act

168. (1) No person, other than a society, shall trade or carry on business under any name or title of which the word "co-operative" or of which the words "credit union" constitute a part without the approval of the Minister.

Prohibition of the use of the words "co-operative" or "credit union"

(2) Any person who contravenes the provisions of this section shall be guilty of an offence and shall be liable on conviction to a fine not exceeding one hundred penalty units, and, in the case of a continuing offence, to a further fine not exceeding twenty penalty units for each day during which the offence continues.

(As amended by Act No. 13 of 1994)

169. The provisions of the Companies Act (or any Act which replaces it) shall not apply to a society.

**Companies Act not to apply
Cap. 388**

170. (1) Any officer or member of a society who-

Offences and penalties

- (a) wilfully fails to give any notice, send any return or document, or fails to do or allow to be done any act or thing which the society is required by this Act to give, send, do or allow to be done; or
- (b) wilfully neglects or refuses to do any act or furnish any information required for the purposes of this Act by the Registrar or any other official or person whose duties require him to obtain the information, or wilfully does any act or thing forbidden by this Act; or
- (c) wilfully makes a record or a return or furnishes information in any respect false or insufficient;

shall be guilty of an offence.

(2) Any person found guilty of an offence under this Act shall be liable on conviction, where no penalty is specially provided, to a fine not exceeding one thousand penalty units, or to imprisonment for a term not exceeding six months, or to both.

(3) If a society fails or refuses to forward a return or document required by the Registrar for the purposes of this Act, the Registrar may, notwithstanding any other provision of this Act, make an order for the cancellation of the registration of the society and remove its name from the register of societies maintained in his office.

(4) If a society remedies the default referred to in subsection (3), the Registrar may issue a new certificate of registration upon payment of the fees prescribed for that purpose, and restore the society to the register of societies, and thereupon the society shall be deemed to have continued in existence, and the society and all persons shall be in the same position as if the registration of the society had never been cancelled.

(As amended by Act No. 13 of 1994)

171. (1) If any person unlawfully obtains possession of any property or moneys belonging to a society, or, having such property or moneys in his possession unlawfully and without a claim of right, withholds the same or mis-applies the same or wilfully applies the whole or any part thereof to purposes other than those permitted by this Act, the rule or the by-laws, he shall be guilty of an offence.

**Misdealings
with property**

(2) Any person convicted of an offence under subsection (1) may, at the time when sentence is passed, be ordered to return, deliver up or repay the aforesaid property or moneys either forthwith or within a stipulated time and, in default of compliance, to be imprisoned for a term not exceeding six months.

(3) Imprisonment imposed under the provisions of subsection (2) shall terminate forthwith in the event of the property or moneys being returned, delivered up or repaid before the expiration of the sentence.

(4) No prosecution shall be brought under the section without the written consent of the Director of Public Prosecutions.

172. (1) The Co-operative Societies Act, Chapter 689 of the Revised Edition (hereinafter referred to as the "repealed Act") is hereby repealed.

Repeal and savings

(2) Notwithstanding the provisions of subsection (1)-

- (a) every society, and all the by-laws of a society, registered under the repealed Act, shall be deemed to have been registered under this Act;
- (b) any register kept pursuant to the repealed Act shall be deemed to be part of a register to be kept under this Act;
- (c) any documents referring to a provision of the repealed Act shall be construed as referring to a corresponding provision of this Act;
- (d) any orders, rules and directions, appointments and other acts, lawfully made or done under a provision of the repealed Act, or appointments made for the administration thereof, and in force immediately before the commencement of this Act, shall be deemed to have been made or done under the corresponding provision of this Act or for the administration of this Act, and shall continue to have effect accordingly in so far as they are not inconsistent with the provisions of this Act.

FIRST SCHEDULE
(Section 19)

POWERS OF SOCIETIES

For the purpose of carrying out its objects, every society shall, subject to the provisions of this Act and the rules, have the following powers unless these powers or any of them are expressly excluded or modified by its by-laws:

- | | | |
|-----|---|---------------------------------------|
| (a) | to purchase, take on lease or in exchange, hire or otherwise acquire and hold any movable or immovable property, and any rights and privileges the society deems necessary or convenient for the attainment of its objects; | Purcha
of prop |
| (b) | to sell, exchange, lease, dispose of, turn to account or otherwise deal with all or any part of the property and rights of the society; | Sale of
propert |
| (c) | to manage, improve and develop the property of the society; | Manag
of prop |
| (d) | to borrow or raise money-
(i) by mortgage of any of the land or buildings of the society;
(ii) by the issue of bonds or debentures conferring no charge, or a fixed or floating charge, upon all of the assets and undertakings of the society, including its uncalled capital;
(iii) by pledging as security the products, goods, wares, merchandise and other property vested in or acquired by the society; | Borrow |
| (e) | to enter into any contract or arrangement whatever for or incidental to the attainment of its objects; | Contra |
| (f) | to make loans or advances to its members; | Loans
advanc |
| (g) | to accept the savings of its members; | Saving |
| (h) | to construct, improve, maintain, develop, work, manage, carry out or control any roads, warehouses, factories, buildings, shops, stores and any other works or conveniences that may seem directly or indirectly calculated to assist to advance the interests of the society and its members; | Constr
roads,
factorie |
| (i) | to purchase or otherwise acquire or undertake all or any part of the business of, and to assume the whole or any part of the liabilities of, any person, company or another society carrying on any business which the society is authorised to carry on; | Purcha
of
busine |
| (j) | to become a member of, or to take or otherwise acquire and hold shares or securities of, any other society or company with limited liability having objects wholly or in part similar to those of the society, or carry on any business capable of being conducted so as to benefit the society in accordance with its objects, and sell or otherwise deal with the same; | Arrang
with ot
societi
compa |

(k)	to become a member of a credit union or of any federation registered with objects described in paragraph (a) (iii) of section <i>ninety-one</i> , and to purchase shares from, or loan to, or borrow money from, such credit union or federation;	Memb saving credit s
(l)	to amalgamate with or enter into any agreement for co-operation with any other society having objects wholly or in part similar to the objects of the society;	Amalg or part
(m)	to agree with any persons, company or society to employ and use the same personnel, methods, means or agencies for carrying on and conducting their respective businesses or services;	Co-ope
(n)	to enter into any arrangements with the Government or any authority, national, provincial, district, municipal, local or otherwise, that may seem beneficial to the society, and to obtain from the Government or authority any rights, privileges and concessions which the society may think it desirable to obtain, and carry out, exercise and comply with such arrangements, rights, privileges and concessions;	Arrang with Govern and of authori
(o)	to draw, make, accept, endorse, execute and issue promissory notes, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments;	Promis notes,
(p)	save as provided in section <i>fifty-seven</i> (which relates to credit unions), to invest or deposit moneys of the society not immediately required- ii(i) in the Post Office Savings Bank; or ii(ii) in any commercial bank in Zambia; or (iii) in any securities issued or guaranteed by the Government; or (iv) in such other manner as may be decided by the board of directors and either sanctioned by this Act or the rules, or approved by the Registrar;	Invest funds
(q)	to become a member of such other society or company as the Registrar may permit for the purpose of establishing and supporting or aiding in the establishment and support of trusts, funds and institutions calculated to benefit members, employees or ex-employees of the society, or the dependants or relatives of such persons, to grant benefits and allowances, and to make payments towards insurance;	Benefit memb employ
(r)	to subscribe or guarantee money for local organisations with objectives beneficial to the community;	Suppo commu organis
(s)	to issue fully paid-up shares of capital stock or other securities of the society to a member in payment or part payment of any immovable or movable property purchased or otherwise acquired by the society from that member, or for labour, services or materials sold to the society by that member;	Issue o shares propt service
(t)	to sell or dispose of the undertaking of the society or any part thereof for such consideration as the society thinks fit;	Sale of undert
(u)	to carry on, encourage and assist educational and advisory work relating to co-operation and the objects of the society;	Co-ope educat
	(v) to enlarge the business of the society and its services to members by the operation of branches;	To ope branch

- | | | |
|-----|---|----------------------|
| (w) | to take or hold mortgages, hypothecs, liens and charges to secure the price of any part of the property of the society of whatever kind sold by the society or any money due to the society, and to assign or otherwise dispose of the said mortgages, hypothecs, liens and charges; | Hold mortga
liens |
| (x) | to appoint or employ such officials, servants or other persons as the board of directors thinks necessary, to fix the terms and conditions of their appointment or employment, and to pay them remuneration according to these terms and conditions; | Appoin
official |
| (y) | generally to carry on and undertake any business or service which may seem capable of being conveniently carried on in connection with the objects of the society, or calculated directly or indirectly to benefit the society and its members, and to insure against any losses, damage, risks or liabilities which the society may incur. | Gener
powers |

SECOND SCHEDULE
(Section 20)

MATTERS REQUIRED TO BE IN THE BY-LAWS OF A SOCIETY

Every society shall have by-laws in respect of the following matters:

1. The name of the society.
2. The place and postal address of its registered office.
3. The objects for which the society is established.
4. The value of each share if the society is formed with capital divided into shares, and whether the capital is limited or unlimited in amount.
5. The qualifications for membership.
6. The minimum number of shares to be subscribed for by each member as a condition of being admitted to membership, the minimum amount payable on application on each share so subscribed which shall not be less than ten per centum of its value, the method of payment of the amount, if any, remaining unpaid on the minimum subscription for shares, and the method of allotment of and payment for any additional shares.
7. If there is no share capital, the terms of membership and the basis on which the interest of the member in the society will be determined.
8. The entrance fee, if any.
9. The annual membership fee, if any.
10. The purposes to which funds may be applied.
11. The composition of the board of directors.
12. The manner of distributing the net surplus.
13. The conditions on which a member may withdraw from membership.
14. The geographical area of operation of the society.
15. The term of office of the directors.
16. The holding of annual general meetings.
17. The honorarium (if any) to be paid to the officers of the society.
18. The dates of the society's financial year.
19. Subject to the provisions of section *seventy-nine* in the case of a credit union, the method of constituting, operating and allocating the reserve fund and the amount or method of fixing the amount to be contributed thereto.
20. Such other matters concerning the administration and operation of the society as may be required by the rules or by the Registrar.

SUBSIDIARY LEGISLATION

THE CO-OPERATIVE SOCIETIES ACT

THE CO-OPERATIVE SOCIETIES RULES

ARRANGEMENT OF RULES

PART I PRELIMINARY

Rule

1. Title
2. Interpretation

PART II GENERAL RULES FOR CO-OPERATIVE SOCIETIES

Procedures for Registration

3. Application for registration
4. Decision on application
5. Additional requirements for registration
6. Certificate of registration and change of name
7. Refusal to register
8. Refund of fees
9. Qualifications for membership
10. Application for membership
11. No membership without cash payment
12. Rights of minors
13. Nominees
14. Withdrawals from membership

Meetings

15. First general meeting
16. Annual general meeting
17. Semi-annual meeting
18. Other general meetings
19. Notice of meetings
20. Quorum
21. Adjournment
22. Extension of term of office

Rule

23. Chairman of annual general meeting
24. Order of business at annual general meeting
25. Order of business at special meeting
26. Voting

Nominations and Elections

27. Elections and terms of office
28. Nominations (two optional methods)
29. Nominations may be seconded
30. When balloting necessary
31. All elections by secret ballot
32. Ballots void
33. Procedure for elections
34. Order of elections
35. Destruction of ballots
36. Election report to Registrar

Duties and Procedures of Directors

PART III SPECIAL RULES FOR CREDIT UNIONS

Objects and Services

58. General services and membership
59. Services to member organisations
60. Special deposit services
61. Loans for farm land and the erection of dwellings
62. Loans for business purposes
63. Total amount of loans for land, buildings and business purposes
64. Loans to officers
65. Preference in the granting of loans

Temporary Suspension of Loaning Operations

66. Suspension and resumption of loaning operations

Withdrawals of Shares and Deposits

67. Methods of withdrawal

Cash Fund to Meet Withdrawals

68. Cash fund
69. No overdrafts allowed

Use of Passbook

70. Entries in passbook or other statement

Investment in Land and Buildings

71. Purpose and value

Special Duties of Directors of Credit Unions

72. Special duties

Credit Committee and Loans

Rule

73. Organisation
74. Quorum
75. Special duties
76. Undesirable loans
77. Loan applications and promotion of thrift
78. Guarantor
79. Shares as security
80. Loans in special cases
81. Meetings
82. Records
83. Inspection of records
84. Report to directors

PART IV MISCELLANEOUS

Use and Maintenance of a Reserve Fund

Rule

- 100. Use of reserve fund
- 101. Investment of moneys in reserve fund

Use of Petty Cash Fund

- 102. Restricted use of petty cash fund

Inspection and Technical Advice

- 103. Discussion of inspection report with officers of a society
- 104. Special services by co-operative federations
- 105. Special services by Government agencies
- 106. Special services by advisory officers and members

Appointment of Auditor

- 107. When appointment required
- 108. Audit fees payable to Registrar under certain conditions

Charges by Societies

- 109. Form of register and forms for registration and discharge

FIRST SCHEDULE-Prescribed forms

SECOND SCHEDULE-Prescribed fees

SECTION 156-THE CO-OPERATIVE SOCIETIES
RULES

Rules by the Minister

Statutory Instrument
39 of 1972
96 of 1987
19 of 1994
4 of 1997
Act No.
13 of 1994

PART I PRELIMINARY

- 1. These Rules may be cited as the Co-operative Societies Rules.

Title

2. In these Rules, unless the context otherwise requires-

Interpretation

"board of directors" means the governing body of a society to whom the supervision and direction of its affairs are entrusted by the members, and shall be deemed to have the same meaning as the word or words "committee" or "managing committee" in the by-laws of a society;

"by-laws" means the by-laws of a society registered under the Act or registered under the former Co-operative Societies Act;

"credit union" means a "savings and credit society" or "thrift and credit society" registered with objects in accordance with section *fifty-three* of the Act;

"Form" means a form set out in the First Schedule;

"Registrar" means the Registrar of Co-operative Societies or any person authorised to act for the Registrar;

"society" includes a credit union, a co-operative union or federation.

PART II GENERAL RULES FOR CO-OPERATIVE SOCIETIES

Procedures for Registration

3. (1) Every application for registration of a society shall be in Form 1, together with or preceded by the information prescribed in Form 2 as may be required, and accompanied by the fee prescribed in the Second Schedule.

Application for registration

(2) The application shall be submitted in triplicate and each copy thereof shall be signed and accompanied by a copy of the by-laws of the proposed society.

(3) No society with share capital shall be registered unless the applicants for registration have subscribed for such minimum number of shares as may be prescribed in the by-laws as a condition of membership, and have paid in cash not less than one-quarter of the value of each share so subscribed, or such other portion of the value prescribed in the by-laws with the approval of the Registrar, and have paid the entrance fee, if any:

Provided that the Registrar is satisfied that the share capital to be furnished initially by the applicants and other persons expected to become members will be sufficient for the commencement of operations, having regard to the share capital and other funds necessary to achieve the objects of the proposed society.

(4) No society without share capital shall be registered unless the applicants for registration have paid in cash the initial membership fee prescribed in the by-laws, or have complied with any other initial financial participation with respect to membership so prescribed, and have paid the entrance fee, if any:

Provided that the Registrar is satisfied that the membership fees or any other funds to be furnished initially by the applicants and other persons expected to become members will be sufficient for the commencement of operations, having regard to such membership fees and other funds necessary to achieve the objects of the proposed society.

4. (1) Subject to rule 5, the Registrar shall make a decision within thirty days of the receipt of an application for registration as to whether or not he approves of such application, or whether he requires additional information in accordance with section *eleven* of the Act before making such decision, and shall notify the applicants for registration accordingly.

**Decision
on
application**

5. In order to determine whether registration is economically or otherwise advisable in any particular case, the Registrar may prescribe one or more of the following requirements before registration:

**Additional
requirements
for registration**

- (a) that additional information be provided to show whether the proposed society meets an economic, social or cultural need, and has reasonable prospects for achieving its objects;
- (b) that the applicants for registration obtain support from more persons who may be expected to become members;
- (c) that more capital be furnished initially by the applicants for registration and other persons expected to become members, and that such additional capital be sufficient for the commencement of operations;
- (d) that arrangements be made for more educational and advisory work respecting co-operative principles and practices and the objects of the proposed society among the applicants for registration, and among other persons who may be expected to become members;
- (e) that there be sufficient assurance respecting the availability of officers capable of directing and managing the affairs of the proposed society and of keeping adequate records and books of account as prescribed by the Registrar under the Act, and that, if necessary, such officers be required to undergo such additional training as the Registrar deems necessary.

6. (1) If the Registrar approves of registration he shall issue a certificate of registration to the society in Form 3, together with a copy of the application and by-laws certified by him, with a copy of the application and by-laws certified by him, and shall cause such registration to be published by notice in the *Government Gazette*.

**Certificate of
registration
and change of
name**

(2) Notwithstanding sub-rule (1), a registered society may by amendment to its by-laws change its name.

(3) The Registrar, if he is satisfied that the change of name is not objectionable, shall enter the new name on the register of co-operative societies in place of the former name, issue to the society a certificate showing the change of name, and shall cause a notice of the change of name to be published in the *Government Gazette*.

(4) The change of name of a registered society shall not affect any rights and obligations of the society, or render defective any legal proceedings by or against the society, and any legal proceedings that might have been continued or commenced against it in its former name, may be continued or commenced against it in its new name.

7. If, as a result of information provided to him by the applicants for registration under rule 3 or notwithstanding any additional requirement for registration prescribed under rule 5, the Registrar is of the opinion that registration is not economically advisable or he is otherwise unable to approve of registration, he shall give specific reasons for such refusal in writing to the Minister and to the applicants for registration.

Refusal to register

8. If an application for registration is not approved in accordance with rule 7, registration fees received by the Registrar shall be refunded immediately to the applicants for registration.

Refund of fees

9. A person who, in the opinion of the directors, is honest, industrious, self-reliant and of good habits, or a society or other organisation referred to in the Act, shall be eligible for membership in a society if the applicant for membership complies with the provisions of the Act, the rules and the by-laws of the society with respect to membership.

Qualifications for membership

10. An application for membership shall be in Form 4 duly signed by the applicant and, where the applicant is an individual person, shall be endorsed in writing by a director or a member of the society in good standing or other reliable person, and shall be presented to a regular or a special meeting of the board of directors for approval or rejection:

Application for membership

Provided that, if an applicant is unable to sign his name, such applicant shall make his mark on the application form and it shall be duly witnessed by a director, a member, or other reliable person.

11. No applicant for membership shall be admitted to membership or exercise the rights of membership unless such applicant-

**No membership
without cash
payment**

- (a) has subscribed for such minimum number of shares prescribed in the by-laws as a condition of membership and has paid in cash not less than one-quarter of the value of each share so subscribed, or such other portion of the value as the by-laws may prescribe, and has paid the entrance fee, if any; or
- (b) in the case of a society registered without share capital, has paid in cash the membership fee prescribed in the by-laws, and has complied with any other initial financial participation with respect to membership so prescribed, and has paid the entrance fee, if any.

12. (1) A minor may be a member if provided in the by-laws, but where such minor is under the age of sixteen years his parent or guardian shall be informed of his desire to become a member and to open a share account or pay a membership fee, as the case may be.

Rights of minors

(2) Where the parent or guardian has been informed of a share or deposit account held by a minor under the age of sixteen years and no restrictions on the account are imposed by the society, a minor may make payments to and withdraw money from such account, or make such other use of the account as deemed desirable without the approval of his parent or guardian.

(3) A minor under the age of sixteen years who makes use of the services of the society in accordance with sub-rule (1) or (2) shall have all the rights of a member except the right to vote.

(4) Shares may be held and deposits may be made in a society by a duly authorised person on behalf of a junior savings club or other junior organisation, and withdrawals may be made on behalf of such club or organisation with the written approval of the person authorised to hold shares or to make such deposits.

13. (1) Every member of a society may at the time or after he becomes a member nominate in writing, with two attesting witnesses, one person who, in the event of his death, will succeed to his shares or other interest in the society, and the name of such nominee shall be entered in the membership register if the nominee is eligible for membership.

Nominees

(2) In the event of such nominee not becoming a member or not being admitted to membership by the directors, the value of the shares or other interest shall nevertheless be paid to him in accordance with sub-rule (4).

(3) In the event of such nominee dying or of the member desiring to cancel such nomination, the member may from time to time nominate in writing another person in the same manner as in sub-rule (1), and the necessary alterations shall be made in the records of the society.

(4) For the purpose of a transfer to the nominee, or to the legal representative if there is no nominee, the value of any shares or other interest shall include the sum actually paid to the society by the member or credited to his share capital or other account from time to time out of the earnings of the society in accordance with the by-laws.

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

14. (1) A member may withdraw from the society upon giving such notice as may be required by the by-laws, or such additional notice as the directors may deem necessary in any particular case and approved by the Registrar.

**Withdrawals
from
membership**

(2) Without restricting the generality of the foregoing, additional notice may be required if the member is a borrower or guarantor of a loan owing to the society, or is otherwise indebted to the society.

(3) No member withdrawing shall be entitled to a refund of his membership fee.

Meetings

15. (1) Unless otherwise provided in the by-laws, every society shall, within two months from the receipt of the certificate of registration, unless the time is extended by the Registrar, hold a general meeting at which all members shall be entitled to be present and to vote.

First general meeting

(2) The business of the first general meeting shall include the election of directors and committees, if any, who shall serve until re-elected or their successors are elected at the first annual general meeting.

16. Every society shall hold an annual general meeting of its members or delegates in every calendar year as prescribed in the by-laws:

**Annual
general
meeting**

Provided that such meeting shall, unless otherwise approved by the Registrar, be held within six months of the close of the previous financial year of the society.

17. A semi-annual business meeting of a society may be held in any year for the purpose of reviewing the operations of the society.

Semi-annual meeting

18. Other general meetings of a society may be held quarterly or at such other times as may be determined by the directors.

**Other general
meetings**

19. (1) Unless the by-laws provide that the notice giving the date, time and place of the annual, semi-annual, special or other members' or delegates' meeting of a society shall be advertised in one issue of a newspaper circulating in the city, town or other locality in which the registered office of the society is located, notice of all meetings shall be mailed or otherwise sent, or made available to each member or delegate of the society at his last known address.

Notice of meetings

(2) At least twenty-one days' notice shall be given of every meeting whether by advertisement, mail or otherwise.

(3) The notice shall contain a statement of the purpose of the meeting, and, wherever practicable, the agenda for the meeting shall be made available to each member or delegate before the meeting is held.

(4) The non-receipt by a member of a notice or information respecting the date, hour and place of a meeting shall not invalidate the proceedings or the business transacted at the meeting.

20. (1) The by-laws may prescribe the quorum at a general meeting of a society:

Quorum

Provided that in no instance where the society is comprised of individual persons shall the number to constitute a quorum be less than the number of directors plus one, except where the Registrar calls a meeting of a society in accordance with section *one hundred and twenty-seven* of the Act when the quorum shall be the number of members or delegates in attendance at such meeting.

(2) Where the by-laws of a society do not prescribe a quorum, the provisions of section *one hundred and twenty-six* of the Act shall apply to that society.

21. If a quorum is not present within one hour from the time appointed for any meeting of a society in a rural area, or within thirty minutes of the time appointed for any meeting of a society in a city or town, the meeting shall stand adjourned until called again by the directors, or an application is made to the Registrar for direction or assistance from him with respect to calling the meeting.

Adjournment

22. Where a society has been unable to hold an annual general meeting within the period prescribed by its by-laws or rule 16, and as a result the election of directors and committee members required to be elected has not taken place, the term of office of retiring directors or committee members shall not expire until they are re-elected or their successors are elected at a general or a special meeting.

Extension of term of office

23. Unless the members or delegates nominate some other member or delegate to be Chairman of the meeting, the Chairman of the board of directors or the Vice-Chairman shall be Chairman of the annual general meeting and other general or special meetings of the society.

**Chairman of
annual general
meeting**

24. The order of business at the annual general meeting shall include-

**Order of business
at annual general
meeting**

- (a) registration and call to order by the Chairman;
- (b) reading and approval or correction of the minutes of the last annual general meeting;
- (c) business arising out of the minutes;
- (d) report of the directors (managing committee);
- (e) report of the Treasurer, Secretary-treasurer or manager, and consideration of the financial statement;
- (f) reports of other committees (if the society is a credit union, this shall include reports of the credit committee and the supervisory committee);
- (g) report of auditor, if any;
- (h) adoption or other disposal of reports;
- (i) apportionment of the net surplus as recommended by the directors according to the by-laws and the Act;
- (j) amendments to by-laws, if any;
- (k) elections;
- (l) appointment of auditor where required;
- (m) unfinished business;
- (n) new business;
- (o) adjournment.

25. The order of business at a special meeting shall be-

**Order of business
at special meeting**

- (a) registration and call to order;
- (b) election of a Chairman if the Chairman of the board of directors or other person who calls the meeting to order is not to be the Chairman of the meeting;
- (c) reading of notice of meeting;
- (d) consideration of the matter or matters for which the meeting has been called and which have been specified in the notice of meeting;
- (e) adjournment.

26. (1) Except as provided in rule 12 (3) respecting minors under the age of sixteen years, each member who has complied with the provisions of the by-laws respecting admission to and the maintenance of membership in the society, or delegate elected by the members of the society from a district thereof, or any delegate representing a member society or other organisation, or any special director appointed by the Registrar in accordance with section *one hundred and sixty-one* or *one hundred and sixty-two* of the Act, shall have one vote at a meeting of a society.

Voting

(2) Except in the case of a special resolution as defined in section *two* of the Act or a resolution to amend the by-laws in accordance with section *twenty-one* of the Act, a majority of the members or delegates present at a meeting where there is a quorum shall decide all questions.

(3) A resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is demanded by at least three members or delegates present.

(4) If a poll is demanded it shall be taken by ballot in such manner as the Chairman of the meeting directs.

(5) The Chairman of the meeting at which a show of hands takes place to decide a question or a resolution, or at which a poll is demanded, shall have the right to vote and shall have a second or a casting vote in the event of an equality of votes.

Nominations and Elections

27. (1) Subject to section *one hundred and twelve* of the Act, the election of directors and other committees to be elected shall take place at the annual general meeting of a society or at a special meeting called for the purpose.

Elections and terms of office

(2) The by-laws may provide that the directors, who shall not be less than five, and members of other committees, if any, shall be elected for one, two or three year terms and, subject to sub-rule (4), shall be eligible for re-election.

(3) (a) Where the by-laws provide that the directors shall be elected for a one year term at a time, the directors elected at the first general meeting held after the receipt by the society of its certificate of registration shall hold office until the first annual general meeting when their successors are elected. At each annual general meeting thereafter, directors shall be elected to replace those retiring and shall hold office for one year.

(b) Where the by-laws provide that the directors shall be elected for a two year term at a time, the directors elected at the first general meeting held after receipt by the society of its certificate of registration shall be elected to hold office until the first annual general meeting when their successors are elected. At the first annual general meeting the number of directors designated in the by-laws shall hold office until the second annual general meeting, and the number of directors designated in the by-laws shall be elected to hold office until the third annual general meeting. At each annual general meeting thereafter, directors shall be elected to replace those retiring and the directors so elected shall hold office for a two year term.

(c) Where the by-laws provide that the directors shall be elected for a three year term at a time, the directors elected at the first general meeting of the society held after receipt of its certificate of registration shall be elected to hold office until the first annual general meeting when their successors are elected. At the first annual general meeting the number of directors designated in the by-laws shall be elected to hold office until the third annual general meeting, and the number of directors designated in the by-laws shall be elected to hold office until the fourth annual general meeting. At each annual general meeting thereafter, directors shall be elected to replace those retiring and directors so elected shall hold office for a term of three years.

(4) Notwithstanding sub-rules (2) and (3), the by-laws may provide that no director shall hold office for a period of more than six consecutive years from the time he was first elected at an annual general meeting without standing down for a period of one year, after which he may be nominated at the annual general meeting held at or immediately following the end of such year.

(5) Unless the by-laws of a credit union provide that the members of the credit committee, who shall be not less than three in number, shall be appointed by the board of directors, the by-laws shall provide that the members of such committee shall be elected at the annual general meeting and the provisions as to term of office and election procedure set forth in sub-rule (3) (c) shall apply.

(6) (a) Where the by-laws of a credit union provide that the three members of the supervisory committee shall be elected by the members at an annual general meeting, the procedure prescribed in the by-laws shall be as in sub-rule (3) (c).

(b) Where the by-laws of a credit union provide that one member of the supervisory committee shall be appointed by the board of directors and the remaining two members by the membership of the credit union at the annual general meeting, the procedure shall be as follows:

- (i) at the first annual general meeting held after receipt by the credit union of its certificate of registration, one member of the supervisory committee shall be appointed by the board of directors and the remaining members elected by and from the membership. This committee shall hold office until the first annual general meeting;
- (ii) after the first annual general meeting the member of the supervisory committee appointed by the directors shall hold office for one year. Of the two members of the supervisory committee elected by the members of the credit union at the first annual general meeting, the first member, or the one receiving the highest number of votes cast, shall hold office for three years and the second for two years. Thereafter, as each term expires the election or appointment, as the case may be, shall be for a period of three years.

28. (1) Unless the by-laws provide otherwise the Chairman may, with the approval of the directors, at or before the meeting, appoint a nominating committee of three members who shall, with the consent of the nominee, place in nomination one or more names for each vacancy, but after the report of the nominating committee has been placed before the meeting the Chairman shall call for additional nominations from the meeting, and after a reasonable time has elapsed a motion to close nominations shall be in order.

**Nominations
(two optional
methods)**

(2) If no nominating committee is appointed, nominations shall take place from the meeting only.

29. Nominations may be seconded, but where the nominee is not present at the meeting his consent to stand for election shall be obtained either in advance by the nominating committee or be presented in writing by the nominator and the seconder at the time of nomination.

**Nominations may
be seconded**

30. When there are two or more candidates for any office a ballot shall be taken, but where only one member is nominated for the office the Chairman shall declare such member elected.

**When
balloting
necessary**

31. All elections shall be held by secret ballot:

**All elections by
secret ballot**

Provided, however, that if a member is unable to write, a person appointed by the returning officer may assist such member by writing on the ballot the name of the candidate or each candidate for which the member wishes to vote.

32. If a member places more or less names on the ballot than the number to be elected, his vote shall not be counted.

Ballots void

33. (1) When nominations are closed, the Chairman of the meeting shall appoint a returning officer and one or more persons to assist him as required. They shall distribute the ballots, and when the vote has been taken they shall collect and count them, and the returning officer shall announce the results to the meeting.

**Procedure
for
elections.**

(2) The method of election shall be that with one ballot and the candidate or candidates receiving the highest number of votes cast shall be declared elected.

(3) Where candidates are to be elected for varying terms with one ballot, the candidates receiving the highest number of votes cast shall be declared elected for the longest or the longer term, as the case may be.

(4) (a) If two or more candidates receive an equal number of votes the meeting may, by resolution carried by a clear majority of those present, provide that a second ballot be taken.

(b) If the meeting does not decide that there shall be a second ballot, then the returning officer, in the event that the equality of votes is not broken by withdrawal of one or more candidates, shall write the names of such candidates separately on blank sheets of paper of equal size and the same colour and texture and, after folding the same in a uniform manner so that the names are concealed, deposit them in a container and direct some person to withdraw one of the sheets or such greater number as are required to complete the election; and the candidate or candidates whose name or names appear on the sheets so withdrawn shall be declared elected by the returning officer.

34. Where, in addition to the board of directors, one or more committees are to be elected, as in a credit union, the order of elections shall be as follows: **Order of elections**

- (a) election of directors;
- (b) election of credit committee if not appointed by the directors (for credit unions only); and
- (c) election of members of supervisory committee except where one member thereof is to be appointed by the directors (for credit unions only).

35. After the results of the vote have been determined, the Chairman of the meeting shall order the ballots to be destroyed. **Destruction of ballots**

36. Within twenty-one days after the election the names and addresses, together with information respecting the terms of office of all persons elected, shall be forwarded to the Registrar by the Secretary of the society. **Election report to the Registrar**

Duties and Procedures of Directors

37. At the first general meeting of the society a board of directors according to the number designated in the by-laws, which shall not be less than five, shall be elected by and from the members to retain office until the first annual general meeting of the society, and until they are re-elected or their successors are elected as provided in the by-laws. **Election of directors**

38. (1) The directors shall meet within twenty-one days after their election following the first general meeting and following each annual general meeting thereafter, and shall organise for the current year by electing a Chairman and one or more Vice-Chairmen from their number, and shall appoint a Secretary, Treasurer, or a Secretary-treasurer, who need not be a member of the society. **Officers**

(2) Notwithstanding sub-rule (1), the directors may appoint a manager who may also be appointed annually to perform the duties of Secretary or Treasurer or Secretary-treasurer, as the case may be.

39. If the society is a credit union the directors shall, if the by-laws so provide, appoint a credit committee of not less than three members and one member of the supervisory committee.

Other officers

40. (1) In carrying out their duties as required by the Act, the directors may appoint an executive committee consisting of the Chairman, the Vice-Chairman, and one other director. The duties of the executive committee shall include-

**Special committees
appointed by board
of directors**

- (a) carrying out decisions made by the directors at board meetings where necessary;
- (b) to take such action as may be necessary between board meetings to achieve the objects of the society and safeguard the interests of members; and
- (c) to make such recommendations to the board of directors with respect to the affairs of the society as may be deemed necessary from time to time.

(2) When a society provides credit to farmers in accordance with sections *thirty-five* and *thirty-six* of the Act, or is permitted by its by-laws to sell consumers' goods on credit as provided in section *eighty-three* of the Act, the directors may appoint a committee to supervise credit whose duties shall include-

- (a) examining regularly the condition of credit transactions and reporting to the directors whether the administration of credit is in accordance with the policies laid down by the directors at board meetings;
- (b) seeing to it that a loan made or credit granted to a member is used efficiently by him and only for the purpose for which such loan or credit was made or granted;
- (c) where a loan or a credit account is in arrears, recommending measures to ensure the repayment of the debt; and
- (d) recommending where necessary improved methods for the administration of credit or the curtailment or the termination of credit services in connection with such goods or commodities as may be deemed necessary.

(3) The directors may appoint a co-operative education and training committee to keep the membership of the society informed about co-operative principles and practices and the progress of their society, to foster co-operation with other co-operative organisations, and to arrange for programmes of membership education and training courses for officers.

41. Minutes of all special committee meetings shall be kept by the Secretary of the society and minutes and reports of the work of such committees shall be made available to the directors. All special committees shall be subject to general direction and supervision by the board of directors.

Supervision of special committees

42. Regular meetings of the board of directors shall be held at least monthly and at such other times as may be required by the business of the society.

Regular meetings of board of directors

43. Special meetings of the board of directors may be called by the Chairman at any time and shall be called upon the written request of a majority of the directors.

Special meetings of board of directors

44. Unless the by-laws otherwise provide, the quorum at a directors' meeting shall be the majority of directors, including special directors, if any.

Quorum at directors' meetings.

45. The agenda for the regular meeting of the board of directors shall include the following:

Agenda for directors' meeting

- (a) call to order by the Chairman;
- (b) reading and disposal of the minutes of previous meeting;
- (c) new applications for membership;
- (d) report on proposed withdrawals from membership;
- (e) consideration and disposal of monthly or other financial and progress reports respecting the business of the society;
- (f) reports of committees, if any;
- (g) report of auditor, if any;
- (h) report of the inspection and audit of the society by the Registrar, when available;
- (i) other business required by the Act;
- (j) new business;
- (k) date of next meeting; and
- (l) adjournment.

46. (1) Except as otherwise provided in the Act, including sections *fifty-eight* and *one hundred and ten*, a majority vote at a directors' meeting at which a quorum is present shall be sufficient for the transaction of business at board meetings.

Procedure of directors' meetings

(2) The Chairman of the board of directors or other presiding officer may vote on any question and shall have a second or a casting vote in the event of an equality of votes.

47. (1) Should a member of the board of directors be absent from two consecutive meetings of the board without good reason, the other directors may, unless the by-laws provide otherwise, pass a resolution at a properly called board meeting at which a quorum is present, that the Secretary inform the member by written notice that unless he attends the next meeting of the board when called, his office as director shall be declared vacant by the board of directors.

**Failure to attend
board meetings.**

(2) If the director fails to attend the next meeting of the board of directors notwithstanding the notice sent to him as in sub-rule (1) provided, the other directors may, by resolution passed at a properly called board meeting and by written notice sent to him to that effect, declare his office vacant and fill the vacancy until the next annual general meeting of the society.

48. In carrying out their duties to direct and supervise the business and property of the society the directors shall-

**General duties
of directors**

- (a) approve or reject applications for membership in the society;
- (b) have power to appoint, define the duties of, terminate the services of, and, as may be required, determine the remuneration of the Secretary-treasurer or the Secretary and Treasurer, or the manager, or co-operative education secretary, and of such other employees of the society, if any, as they deem necessary for the achievement of its objects;
- (c) examine carefully and regularly the condition of the business and property of the society, and require the manager or Secretary-treasurer or such other employee as may be in charge of the society's records to provide monthly or quarterly, or at such other times as the directors may determine, a report or reports disclosing the results of operations and financial condition of the society during a specified period, and a comparison of such information with the results of operations during a similar period of the previous year;
- (d)
 - (i) require every person appointed to an office relating to the receipt and expenditure of money of the society, or the supervision of goods and commodities of the society, including any employee with these responsibilities and any person appointed as signing officer, to furnish, in addition to any other security required, a fidelity guarantee bond of such minimum amount set forth in a schedule prescribed by the Registrar from time to time;
 - (ii) arrange for fire insurances, burglary and hold-up insurance, and any other form of insurance necessary to protect the business and property of the society;
- (e) designate a commercial bank, registered building society, the Post Office Savings Bank, a federation registered under section *ninety-one* of the Act, or other organisation authorised to receive money on deposit in which funds of the society shall be deposited;
- (f) see to it that a proper set of records and books of account for the purposes of the society are kept and maintained by an officer with sufficient knowledge or training for the purpose;
- (g) supervise credit transactions of the society, if any, and examine regularly the condition of accounts receivable and accounts payable, and curtail or terminate credit transactions for such period as may be deemed advisable to safeguard the interests of the society and its members;
- (h) when an officer responsible to the directors for the supervision of funds, goods or commodities of the society, ceases for any reason to be so responsible, prepare or cause to be prepared, immediately before his successor is appointed, an account of such funds, or an inventory of such goods or commodities, as the case may be;
- (i) direct or supervise the taking of an inventory at least annually of goods or commodities on hand, if any, that are sold or marketed by the society;
- (j) prepare a recommendation to the annual general meeting respecting the apportionment of the annual net surplus as provided in the Act and the by-laws;
- (k) approve or prepare for submission by the Chairman a report to the annual general meeting respecting the work of the directors during the preceding financial year, the progress of the society during such year, together with such recommendations as appear necessary to achieve the objects of the society and improve services to members.

49. The directors shall, with the assistance of a co-operative education and training committee, if any, appointed under rule 40 (3), keep the members informed regarding the business of the society and encourage interest, support and a sense of ownership on their part by-

**Membershi
p
information**

- (a) presenting to the members periodic reports regarding the condition of the society, its services and objects;
- (b) publicising the activities of the society in newspapers and in other ways;
- (c) carrying on, encouraging and assisting educational work relating to co-operatives and the objects of the society, including support of youth groups to facilitate their participation in co-operative and community affairs; and
- (d) providing that after each annual general meeting each member of the society, other than a community service society organised in accordance with section *eighty-eight* of the Act, receives a statement or other information showing his share capital or other interest in the society after the apportionment of the annual net surplus for the preceding financial year.

50. All directors, members of committees, and employees of a society with responsibility for the direction or management of its affairs or the provision of services to members in accordance with its objects shall, annually or upon being elected or appointed to office or employment, sign a declaration in Form 5 relating to-

Declaration of officers

- (a) faithful performance of duties;
- (b) keeping in strict confidence business transacted between the society and its members.

Duties of Officers

51. The Chairman of the board of directors shall preside at the opening and closing of all meetings of a society and of the board of directors, and his other duties shall include-

Duties of Chairman

- (a) exercising general supervision over the officers and the business of the society;
- (b) calling all meetings;
- (c) presenting to the annual meeting the directors' report on the affairs of the society;
- (d) presenting to the annual meeting the recommendation of the directors respecting the distribution of the net surplus according to the Act and the by-laws;
- (e) countersigning all cheques, notes, bills of exchange and other negotiable instruments for carrying on the business of the society, unless some other person or persons are authorised to do so by resolution of the board of directors; and
- (f) performing such other duties and transacting such other business that customarily relate to his office.

52. In the absence or inability of the Chairman to carry out his duties, all the rights and powers of the Chairman shall for the time being be vested in the Vice-Chairman and, in the case of the office of the chairman becoming vacant, the Vice-Chairman shall act as Chairman until the next annual general meeting.

**Duties of
Vice-Chairman**

53. The Secretary shall attend and keep a record of all meetings of the society and of the board of directors, have custody of the seal of the society, conduct correspondence on behalf of the society, sign share certificates or membership certificates and, with the Chairman or other authorised officers, sign contracts, and sign, execute and deliver all deeds and conveyances of property which the directors may order executed.

Duties of Secretary

54. The Treasurer, who may act as the manager of the society under the orders of the board of directors, shall-

Duties of Treasurer and annual financial statement

- (a) receive and deposit in whatever depository the directors may order all moneys received by and paid to the society, and give receipts therefor;
- (b) with the Chairman or any other person or persons authorised by the directors, sign all cheques, notes, bills of exchange, and other negotiable instruments necessary for the carrying on of the business of the society;
- (c) keep a just and true record of all business transactions of the society, have custody of the cash, securities, books of accounts, registers and other papers of the society:

Provided that the adequacy of the books and accounts kept by the Treasurer shall be subject to the approval of the Registrar;

- (d) prepare, or cause to be prepared, for the annual general meeting, the directors and the Registrar, within four months of the end of the preceding financial year, a statement in a form approved by the Registrar, of the receipts and expenditure, the results of operations, and assets and liabilities of the society for such year, and prepare or cause to be prepared an interim financial statement for any semi-annual or other general or special meeting if requested to do so by the directors;
- (e) send promptly to the Registrar the annual financial statement referred to in paragraph (d) and send, or arrange to send, to the Registrar the auditor's report, if any, and such other returns as the Registrar may require from time to time;
- (f) if requested to do so by the directors, prepare a statement of the estimated income and expenses of the society for the ensuing year for consideration of the board of directors at their first meeting following the annual general meeting of the society.

55. The office of Secretary and Treasurer may be held by one and the same person, in which case the duties shall be as prescribed in rules 53 and 54.

Duties of Secretary-treasurer

56. If the directors appoint a general manager to manage the business and property of the society, the duties of Secretary or Treasurer, or Secretary-treasurer, may be modified or altered in accordance with the allotment of such duties as may be assigned by the directors to the manager and other officers. In such cases definite instructions in writing shall be given to each officer so that the duties prescribed in rules 53 and 54 will be carried out.

Duties of manager

No Conflict of Interest

57. If an officer or employee of a society undertakes in his own behalf any business or trade for profit, and such business or trade is in competition with or duplicates services available from the society to its members, or to persons who may be expected to become members, and continues to do so while holding office or being an employee, such person, if holding an elective office, shall vacate such office immediately or be liable to removal by the directors or by the Registrar or, if appointed as an employee by or with the approval of the directors, shall be liable to immediate removal by the directors or by the Registrar.

Action to be taken

PART III SPECIAL RULES FOR CREDIT UNIONS

Objects and Services

58. (1) No co-operative savings and credit society, in these Rules referred to as a credit union, shall engage in any business except in accordance with objects prescribed in section *fifty-three* of the Act, and may exercise the powers necessary to achieve such objects, or powers that are ancillary or incidental thereto, subject to the by-laws.

General services and membership

(2) The by-laws shall specify the common bond of occupation, association or residence to which membership of the credit union shall be limited.

59. (1) A credit union may, by by-laws and with the approval of the Registrar, provide for admission to membership of another credit union, other society, or one or more organisations mentioned in section *fifty-six* of the Act:

Services to member organisations

Provided that-

- (i) the by-laws shall specify the terms and conditions upon which such member credit union, society or organisation may obtain loans or other services;
- (ii) the total amount of loans made to such member credit union, other society or other organisation shall not at any time exceed an amount equivalent to one-quarter of the paid-up capital and deposits of the credit union.

(2) A credit union shall require the directors or other elected officers of a registered organisation, which is a member in accordance with section *fifty-six* of the Act, to file with the credit union a resolution in Form 6 authorising the officers of the organisation named therein to transact business with the credit union.

(3) A credit union shall require the duly authorised officers of an organisation that is not registered, but is a member in accordance with section *fifty-six* of the Act, to furnish a resolution in Form 7 naming the officers who have authority to make withdrawals and to sign on behalf of such organisation.

(4) Except upon a resolution given to its signing officers, a certified copy of which shall be filed with the credit union, no loan shall be given to a member organisation which is not registered:

Provided, however, that in the making of a loan to such organisation which is a member, a credit union shall in any particular case require such additional security by way of an endorsement of a negotiable instrument in the form of a promissory note to repay the loan as may be deemed advisable.

60. Deposits may be accepted from other than individual members of the credit union in accordance with paragraph (a) of section *fifty-seven* of the Act under the following conditions:

**Special
deposit
services**

- (a) the credit union adopts a by-law providing for the conditions under which such deposits may be accepted;
- (b) the Registrar is satisfied that the credit union-
 - (i) has a permanent place of business;
 - (ii) is adequately provided with safe-keeping facilities for books, records, money and securities;
 - (iii) has a full-time Treasurer and staff to carry on regular services to its individual members;
 - (iv) has adequate bonding and insurance coverage;
 - (v) has an adequate book-keeping system that is kept up to date;
 - (vi) has paid-up share capital and deposits credited to its individual members of at least K200,000, or such lesser or greater amount as the Registrar may prescribe;
 - (vii) has been authorised to use orders negotiable by endorsement (cheques) with clearing arrangements with commercial banks; and
 - (viii) has appointed an auditor.

61. A credit union may make loans for the purchase of farm land or a small farm holding, or occupancy title thereto for the personal use of the borrower, and for the purchase or erection of buildings necessary for the conduct of farming operations on such land holding, or for the purchase or erection of a dwelling-house or other buildings for the personal use of the borrower and the land on which such dwelling-house or other buildings are situated or erected, subject to the following conditions:

**Loans for farm
land and the
erection of
dwellings**

- (a) that the combined amount of paid-up capital and deposits of the credit union is at least K10,000, or such lesser or greater amount as the Registrar may prescribe; and
- (b) that a loan made for the purpose of this rule and the total of any other loans made to the borrower shall not at any time exceed an amount in excess of eight per centum of the paid-up capital and deposits of the credit union, or in excess of such lesser percentage as may be provided in the by-laws.

62. (1) If the by-laws so provide, loans may be made by a credit union for the purchase of land or the purchase or erection of buildings used in the operation of a business, or for financing the operation of a business of which the borrower is the sole owner or proprietor, subject to the following conditions:

**Loans for
business
purposes**

- (a) that the combined amount of paid-up capital and deposits of the credit union is not less than K25,000;
- (b) that a loan made for the purpose of this sub-rule and the total of any other loan made to the borrower shall not at any time exceed an amount in excess of eight per centum of the paid-up capital and deposits of the credit union, or in excess of such lesser percentage as may be provided in the by-laws;
- (c) that the total assets of the borrower as shown by a statement of his affairs before the loan is made do not exceed K10,000.

(2) If the by-laws so provide, loans may be made for the purchase of land or the purchase or erection of buildings used in the operation of a society, or for financing the operation of the business of a co-operative society, subject to the following conditions:

- (a) that the combined amount of paid-up capital and deposits of the credit union is not less than K25,000;
- (b) that a loan made for the purposes of this sub-rule and the total of any other loan made to the borrower as a society shall not at any time exceed an amount in excess of eight per centum of the paid-up capital and deposits of the credit union, or in excess of such lesser percentage as may be provided in the by-laws;
- (c) that the total assets of the borrower as a society, as shown by the financial statement filed with the Registrar for the preceding financial year, do not exceed K10,000.

(3) Loans made for financing the operation of a business in accordance with sub-rules (1) and (2) shall be made only for the following purposes:

- (a) for the purchase of agricultural or other commodities for marketing, or for the purchase of agricultural requisites or other merchandise for sale at retail;
- (b) for improvements to buildings or equipment used in the business;
- (c) for the payment of wages and salaries; and
- (d) for the consolidation of debts incurred by the borrower in the operation of the business.

63. (1) The total amount of loans made by a credit union in accordance with rules 61 and 62 and section *sixty-seven* of the Act shall not at any time exceed an amount equivalent to one-quarter of the paid-up capital and deposits of the credit union.

Total amount of loans for land, buildings and business purposes

(2) All applications for loans made under rules 61 and 62 and in accordance with section *sixty-seven* of the Act require the approval by a majority vote of the following persons meeting together:

- (a) a majority of the members of the credit committee;
- (b) two or more directors; and
- (c) one member of the supervisory committee:

Provided, however, that where the by-laws of the credit union specify that the members of the credit committee shall be appointed by the board of directors, there shall be deemed to be a compliance with this rule where at least two of the members of the credit committee present at the meeting are also directors.

64. Where an officer of a credit union applies for a loan in excess of the value of his shares and deposits assigned as security to the credit union, and the market value of any stock, bond or security of the Government of Zambia held by him and so assigned, his application shall require approval by majority vote, taken in the absence of the applicant, of the following persons meeting together:

Loans to officers

- (a) a majority of the members of the credit committee;
- (b) two or more directors; and
- (c) one member of the supervisory committee:

Provided, however, that where the by-laws specify that the members of the credit committee shall be appointed by the board of directors, there shall be deemed to be a compliance with this rule where at least two of the members of the credit committee present at the meeting are also directors.

65. Where the by-laws provide for loans to a credit union, other society or other organisation, in accordance with section *fifty-six* of the Act, and where the by-laws provide for loans for business purposes in accordance with rule 63 and section *sixty-seven* of the Act, and there are more loan applications pending than can be granted from the funds available, preference shall be given by the credit committee to applications from individual members, other than for business purposes, subject to the provisions of subsection (8) of section *sixty-four* of the Act.

Preference in the granting of loans

Temporary Suspension of Loaning Operations

66. Where the Registrar is of the opinion that the manner in which loans are being made by a credit union as disclosed by an examination or investigation under the Act, or the amount of loans being made threaten the financial stability of the credit union and the interests of its members, he may-

Suspension and resumption of loaning operations

- (a) by written notice sent or delivered to the Chairman and Treasurer or Secretary-treasurer or manager, as the case may be, order the suspension of loaning operations or further loaning operations during such period as he may prescribe;
- (b) appoint an officer of the credit union or some other competent person as an administrator in accordance with section *one hundred and sixty-three* of the Act to collect loans in arrears and place other loans outstanding in a condition to ensure repayment, and have charge of other operations of the credit union;
- (c) permit the resumption of loaning operations after the financial position of the credit union has been restored to a satisfactory basis, under the direction of its own officers or subject to assistance from such special directors or other special officers as he may appoint.

Withdrawals of Shares and Deposits

67. (1) A member may withdraw funds standing to his credit in share capital account or in deposit account in the credit union, or placed to his credit by the credit union from the proceeds of a loan made to him, by cheque payable to the member and issued by the credit union on a commercial bank or other depository in which the funds of the credit union are placed, provided that the necessary withdrawal voucher has been signed by the member.

Methods of withdrawal

(2) Withdrawals may be made in cash by signing a cash withdrawal and disbursement voucher at the office of the credit union, in a form designated by the directors and approved by the Registrar for use only at the office of the credit union, and containing the member's account number, his personal signature, and initialed by the

Treasurer or his assistant when the withdrawal is charged to the member's account; or a stamp bearing the name of the credit union and the date may be used in place of an initial.

(3) Withdrawals may be made by orders negotiable by endorsement (cheques) where the Registrar has authorised the use of such orders and the credit union has arrangements for clearing.

Cash Fund to Meet Withdrawals

68. (1) Where a cash fund, other than petty cash for designated purposes as in rule 102, is maintained for the purposes of rule 67 (2) and authorised by the board of directors with the approval of the Registrar, the following conditions shall apply: **Cash fund**

- (a) withdrawal from the bank or other depository for the stated cash fund shall be made only as required so that the amount of cash in hand shall not exceed at any time the amount authorised by the directors and approved by the Registrar;
- (b) the cash shall be kept in a suitable safe until required and shall be in the sole custody of the Treasurer, Secretary-treasurer or the manager, as the case may be:

Provided that the Registrar may require such information as he deems necessary regarding the adequacy of safe-keeping facilities;

- (c) the credit union has in force burglary and hold-up insurance in an amount designated by the directors and approved by the Registrar.

(2) Where the use of orders negotiable by endorsement (cheques) has been authorised by the Registrar as in rule 67 (3) to be issued by members on their deposit account in the credit union, the following conditions shall apply, namely, that the credit union:

- (a) has a permanent place of business adequately provided with safe-keeping facilities for books of account, records, money and securities, controlled by the directors;
- (b) has a full-time Treasurer and other staff to carry on regular savings and credit services for its members;
- (c) has adequate burglary and hold-up insurance and bonding coverage;
- (d) has an adequate book-keeping system that is kept up to date;
- (e) has clearing arrangements with commercial banks;
- (f) has combined paid-up capital and deposits in excess of K200,000;

- (g) maintains a reserve to meet withdrawals consisting of cash in hand or in bank, or other depository in which funds of the credit union are placed, that is not less than twenty per centum of the combined share capital and deposits of the credit union at the end of the preceding calendar month; and
- (h) has appointed an auditor.

69. (1) No officer or employee of a credit union shall permit any withdrawal of funds from share capital or deposit account, or from the proceeds of a loan properly approved in accordance with the Act and placed to the credit of the borrower by the credit union, when the funds in such accounts are not sufficient to cover the withdrawal.

No overdrafts allowed

(2) Nothing in this rule curtails, abridges or defeats any remedy for the recovery from a member of any amount withdrawn in excess of the amount standing to his credit in his share capital or deposit account, or loan account.

Use of Passbook

70. (1) All payments to or withdrawals from share capital account or from deposit account, if any, shall be shown by the necessary entries in a passbook or statement provided to the member.

**Entries in passbook
or other statement**

(2) The proceeds of any loan and repayments thereon, together with interest payments, shall be shown by the necessary entries in the passbook or statement provided to the member as in sub-rule (1).

(3) All entries in a passbook or statement under this rule shall be initialed by the Treasurer or his authorised assistant, except where machine posting is used.

(4) A member using the stop order deduction plan for payments to or withdrawals from a credit union, pursuant to the Act, shall present his passbook to the Treasurer or his authorised assistant at least quarterly.

(5) If a passbook is lost or destroyed, immediate notice of the loss or destruction shall be given by the member to the Treasurer who may issue a new passbook:

Provided that where a new passbook is so issued, the member's account in the credit union may be given a new number.

Investment in Land and Buildings

71. (1) A credit union may for its purposes, with the approval of the Registrar, hold, purchase or take on lease in its own name, and sell, exchange, mortgage or lease any land or buildings.

Purpose and value

(2) The value of land and buildings so acquired shall not exceed K5,000 or an amount equivalent to three per centum of its combined paid-up capital and deposits, whichever amount is the lesser, except by resolution of a general meeting and with the approval of the Registrar.

(3) Sub-rule (2) does not apply to land and buildings acquired by the credit union as security for or in settlement of a loan, and any property so acquired may be sold, exchanged, mortgaged or leased.

Special Duties of Directors of Credit Unions

72. In addition to the duties designated in section *one hundred and thirteen* of the Act and in rule 48 in so far as applicable, the directors of a credit union shall have the following special duties:

Special duties

- (a) to appoint the credit committee unless the by-laws provide that members of the credit committee shall be elected by the members at the annual general meeting;
- (b) to appoint one member of the supervisory committee unless the by-laws provide that all members of the supervisory committee shall be elected by the members at the annual general meeting;
- (c) to determine from time to time the maximum individual shareholdings of a member, the maximum individual loan, and the total amount of all loans that may be made by the credit committee, having regard to the resources of the credit union from time to time and the provisions of the by-laws;
- (d) to determine the rate of interest that may be charged by the credit union on loans or on various kinds or classes of loans, subject to section *seventy-two* of the Act, and to determine the rate of interest on deposits, if any;
- (e) to have charge of investments of the credit union other than loans to members;
- (f) to require the Treasurer, or Secretary-treasurer or manager to prepare and submit monthly or quarterly or other financial statements showing the financial position of the credit union, including the number of loans made during the period, repayments on loans made, what loans are in arrears, if any, and to authorise such action as may be deemed necessary to collect such loans in arrears or otherwise place them in good standing;
- (g) to require the supervisory committee to prepare and submit within the prescribed time reports of its examination, in a form approved by the Registrar, in order to enable the directors to study such reports and, as a result of such study, to give such directions as may be necessary regarding the operations of the credit union;
- (h) to study in consultation with the credit and supervisory committees the report of any examination conducted by or under the direction of the Registrar, and to inform the Registrar regarding action taken to carry out the recommendations, if any, in such report;
- (i) when an officer who is responsible to the directors for the management or custody of the funds of the credit union ceases for any reason to be so responsible, the directors shall immediately and before his successor is appointed, prepare or cause to be prepared a statement showing the cash on hand and in bank, and have such statement reconciled with the books and accounts of the credit union;
- (j) to prepare and present to the annual general meeting a recommendation respecting the distribution of the net surplus including dividends on shares; and
- (k) to present to the annual general meeting a report of the work done by the directors during the preceding financial year and recommendations to the members for the ensuing year.

Credit Committee and Loans

73. Immediately after their election by the members of the credit union or by the directors, as the case may be, the credit committee shall meet and elect a Chairman and appoint a Secretary.

Organisation

74. A majority of the credit committee shall constitute a quorum and an application for a loan shall require a majority approval of those present: **Quorum**

Provided that if only two members of the committee are present, unanimous approval shall be required.

75. Except as provided in sections *sixty-eight* and *sixty-nine* of the Act and in rule 80, the credit committee shall have supervision of all loans to members and, subject to any general order of the board of directors, shall fix the amount and the rate of interest of each loan. **Special duties**

76. No loan shall be made to a member who is not in good standing or has failed to make a satisfactory settlement for any previous loan. **Undesirable loans**

77. (1) No loan shall be made unless an application therefor has been completed on a form provided by the credit committee, and the proceeds of the loan shall not be made available to the applicant until he has signed a negotiable instrument as a promissory note to repay the loan in a form approved by the Registrar and satisfactory to the committee, and has provided such security for the loan as the committee may require. **Loan applications and promotion of thrift**

(2) To promote thrift and a stronger basis for personal credit, the credit committee may, except in case of an emergency or hardship, require that a new member shall save regularly in the form of payments on shares in the credit union for a period of six months from the time of his acceptance into membership, or for such longer period as the committee may fix, before making a loan to such member in excess of the amount of his shareholdings in the credit union.

(3) To promote thrift and to strengthen the credit union as a source of credit for its members, the credit committee may, as a condition of a loan being granted, require an applicant to subscribe for and make payments on such minimum number of additional shares as may be agreed upon.

78. A guarantor who endorses a negotiable instrument as a promissory note to repay the loan need not be a member of the credit union. **Guarantor**

79. The shares held by a member, and money on deposit, if any, in the credit union may be assigned as security for a loan, together with such other security as the credit committee may require. Such shares and deposits shall constitute the first claim by the credit union as security for a loan in case of default, but without prejudice to a claim to any additional security that may have been required by the credit committee when the loan in default was granted. **Shares as security**

80. (1) A majority of the credit committee and the board of directors meeting together may, by unanimous resolution, with the approval of the Registrar, authorise the treasurer to make loans without submitting the application to the credit committee under the following conditions:

Loans in special cases

- (a) in an amount not exceeding K20 in each case, for a period of not more than thirty-one days, where the applicant is in good standing as a member and signs a promissory note to repay the loan;
- (b) in an amount not exceeding K200 in each case if an equivalent amount of paid-up shares and deposits in the credit union is held by the applicant and assigned as security to the credit union, or the market value of any stocks, bonds or securities of the Government of Zambia in an equivalent amount are held and so assigned, or both.

(2) All loans made by the treasurer in accordance with sub-rule (1) shall be reported by him at least monthly to the credit committee and to the board of directors.

(3) The resolution referred to in sub-rule (1) may be rescinded at any time upon an order by the board of directors or the Registrar.

81. The credit committee shall meet monthly or at such other times as may be required by the business of the credit union.

Meetings

82. A full and correct record shall be maintained of all proceedings with respect to loan applications considered by the committee, and the recommendations made to the Treasurer or Secretary-treasurer or manager with respect to the rate of interest, the terms of repayment, and the security prescribed for each loan approved by the committee. All applications for loans approved and negotiable instruments therefor shall be filed by the committee as permanent records of the credit union.

Records

83. In addition to the authority of the Registrar, or any person authorised by him to have access to and to inspect all the books, accounts, papers, securities and cash in hand of the credit union in accordance with section *one hundred and forty-two* of the Act, records of the credit committee shall be open for inspection by the board of directors under conditions specified by board resolution, and shall be available for inspection by the supervisory committee in accordance with the special duties of such committee under rule 90.

Inspection of records

84. The credit committee shall report to the directors at least monthly or at such other times as may be required by the business of the credit union, and such report shall include the number of loans made during the period under review, the amount loaned, renewals of loans granted, if any, loans in arrears, if any, the rate of interest where the rate varies between different kinds or classes of loans, and the purposes for which loans were made.

Report to directors

85. The report of the work of the credit committee during the preceding financial year shall be presented to the annual general meeting by the chairman of the credit committee without disclosing the name of any borrower.

**Report to
annual general
meeting**

Supervisory Committee and Auditor

86. Immediately after their election, or appointment where one member is appointed by the board of directors, the supervisory committee shall meet and appoint a chairman and a secretary.

Organisation

87. No director, member of the credit committee, or employee of the credit union shall be elected or appointed to the supervisory committee.

**Persons ineligible
for appointment**

88. The supervisory committee shall meet at least monthly or at such other times as may be required for examination of the affairs of the credit union.

Meetings

89. (1) If the position of a member of the supervisory committee who has been elected by the members of the credit union becomes vacant, such vacancy shall be filled by the remaining members of the committee until the next annual general meeting.

Vacancies

(2) If the position of the member of the supervisory committee who has been appointed by the directors, subject to the by-laws, becomes vacant, the directors may fill the vacancy for the unexpired term.

90. The supervisory committee shall examine and supervise the affairs of the credit union as prescribed in section *seventy-four* of the Act, and without limiting the generality of such duties, shall-

Special duties of supervisory committee

- (a) make a surprise cash count and bank verification, together with reconciliation with books and records, at least quarterly;
- (b) check at least quarterly applications for loans during the period under review to determine whether for each loan made there is a completed application in the prescribed form on file, whether the security given for each loan is in accordance with the recommendations of the credit committee, whether a negotiable instrument in the form of a promissory note for the repayment of the loan has been signed by the borrower, and whether the terms of repayment or renewals, if any, have been complied with;
- (c) determine whether the provisions of the Act and these Rules have been complied with in making loans, including loans to member organisations, if any, maximum loans to individual members, loans for the purchase of land or for the purchase or erection of buildings for business purposes, and loans to officers;
- (d) check any overdrawn from share capital account, from deposit account or loan account, if any, in accordance with rule 69;
- (e) unless this duty is performed at least annually by an auditor appointed by the credit union, verify periodically at random, and not less than once in every year, at least ten per centum of the accounts of members with the credit union, including the amount of share capital and the amount of deposits, if any, and the amount owing on a loan, if any, as shown by the books and the records of the credit union:

Provided that the verification form shall be sent to each member whose account is verified;
- (f) check periodically the minutes of the board of directors and the credit committee and see to it that the policies and practices prescribed therein are being followed;
- (g) ensure that at least one member of the supervisory committee signs the monthly, quarterly or annual financial statement prepared by the Treasurer;
- (h) prepare and sign a quarterly report with respect to the examination of the affairs of the credit union by the supervisory committee, in a form prescribed by the Registrar.

91. If a verification form issued by the supervisory committee shows any deficiency in the account of a member, such form, with the necessary notation thereon or explanation by the member, shall be returned by him to the chairman of the supervisory committee, who shall immediately report the circumstances to the Registrar.

Verification of members' accounts

92. The annual report on the examination of the affairs of the credit union by the supervisory committee during the preceding financial year shall be presented to the annual general meeting by the chairman of the supervisory committee without disclosing the transactions of any member.

Report to annual general meeting

93. The report of any inspection or audit by or under the direction of the Registrar, and the report of the auditor if an auditor has been appointed in accordance with section *seventy-five* of the Act and rule 96, shall be presented to the annual general meeting by the chairman of the supervisory committee.

**Presentation of
inspection or
auditor's report**

Uncollectable Loans

94. (1) Where the whole or any part of a loan has remained unpaid for a period of four years from the date fixed for the repayment of the loan in full, and no payment on account of principal has been made to the credit union after that date, the amount remaining unpaid shall be charged to and paid from the reserve fund.

**Uncollectable
loans and charge-
offs**

(2) No loans shall be charged to the reserve fund without the joint approval of the directors, the credit committee and the supervisory committee, and with the consent of the Registrar.

(3) The amount to be charged off under sub-rule (1) shall be determined after deducting the shares and deposits, if any, standing to the credit of the member in default, on the books of the credit union, and less the market value of any security held by the credit union as security for the loan.

(4) The directors may in their discretion determine that a loan to be charged to and paid from the reserve fund under sub-rule (3) shall be paid from the reserve fund in annual instalments over a period of five years.

(5) Where no payment of interest and principal has been made to a credit union on a loan made by it within a period of two years after the date on which the interest or principal became due, no further interest on the loan shall be credited to the revenue of the credit union as an account receivable.

(6) Any moneys subsequently recovered with respect to a loan charged off under this rule shall be paid into the reserve fund.

95. Where the total of the amounts to be charged off to the reserve fund under rule 94 exceeds the amount of money in such reserve fund, no further payments to members shall be made under subsection (2) of section *seventy-nine* of the Act except to the reserve fund until the moneys in that fund are sufficient to pay all amounts to be charged thereto.

Limitation of payments

Appointment of Auditor

96. (1) Where the combined share capital and deposits of a credit union exceed K200,000 as shown by its latest financial statement, or such other amount as the Minister may prescribe by statutory order from time to time, the Registrar may require the credit union to appoint an auditor, in which case the supervisory committee shall request the board of directors to appoint as auditor a person publicly carrying on the profession of accountant in Zambia to conduct the annual audit of the books and accounts.

Appointment

(2) The appointment of the auditor shall be subject to the approval of the Registrar.

(3) A federation with objects in accordance with section *ninety-one* of the Act which include the provision of auditing services for its members may appoint a person publicly carrying on the profession of an accountant as auditor for the credit union upon the recommendation of the supervisory committee and at the request and with the approval of the Registrar.

Inspection of Credit Unions

97. (1) An annual inspection and audit of the affairs of a credit union as required by the Act shall include an examination and evaluation of each loan as shown by the books to determine the prospects for repayment, whether the security appears to be adequate and in order, and what further action, if any, will be necessary to ensure ultimate repayment.

Evaluation of loans

(2) The inspection and audit report shall include a classification of each loan as follows:

- (a) repayment in accordance with the terms of the loan seems assured;
- (b) repayment will be delayed and new terms may have to be arranged;
- (c) repayment is doubtful unless additional security is provided by the borrower;
- (d) prospects of repayment are poor in that a loss is probable unless adequate and immediate remedial action can be taken.

(3) When a public accountant has been appointed as an auditor of a credit union in accordance with sections *seventy-five* and *one hundred and forty-one* of the Act, he shall disclose to the Registrar after his annual audit the condition of those loans that require special action to ensure repayment.

98. (1) Immediately after his inspection and audit of a credit union, the representative of the Registrar or other duly authorised person who conducted such inspection and audit shall meet with the board of directors to discuss with them the condition of the credit union as he found it, and the need for any immediate action to be taken by the directors and other officers to improve loaning and other operations and to protect the interests of members.

**Discussion of
inspection report
with officers**

(2) A report of any discussion under sub-rule (1) shall be included in the inspection and audit report to be sent to the Registrar for such further action as he deems necessary.

99. (1) At the end of every financial year every credit union shall prepare a list of all overdue loans or loans in arrears, showing with respect to each loan-

List of loans in arrears

- (a) the total amount of principal outstanding;
- (b) the terms of repayment and interest agreed upon with the borrower;
- (c) the amount and number of instalments in arrears;
- (d) the date on which the last payment was made on principal;
- (e) the amount of shares and deposits assigned to the credit union by the member in arrears;
- (f) a description of the security held, if any;
- (g) the estimated value of the security for the loan in arrears;
- (h) the net amount of the loan in arrears after deducting the amount of shares and deposits assigned and the value of other security given for the loan in arrears.

(2) The list referred to under sub-rule (1) shall be prepared within thirty days after the end of the financial year of the credit union to which the list relates, shall be signed as correct by the Treasurer or Secretary-treasurer or the manager, as the case may be, and shall be approved by the Chairman, and a copy sent to the Registrar immediately.

(3) For the purposes of this rule, "loan in arrears" means any loan on which the member is in default for more than ninety days on a payment or payments of principal or interest according to any loan agreement he has made with the credit union.

PART IV MISCELLANEOUS

Use and Maintenance of a Reserve Fund

100. Subject to rule 94, in the case of a credit union, the reserve fund or funds as prescribed by the Act and the by-laws of a society shall be used to protect the financial position of the society under the following conditions:

Use of reserve fund

- (a) the net losses resulting from the business operations of a society in any year, as well as uncollectable loans or other overdue debts owing to the society, may be charged to the reserve fund in whole or by instalments;
- (b) in the event that the reserve fund of a society is depleted or reduced as a result of operating losses or uncollectable loans or other accounts being charged against it, the amounts to be placed in the reserve fund each year from the surplus arising from the business of the society as provided in the by-laws shall be increased by an additional ten per centum, if the Registrar so directs, or the Registrar may direct that the entire surplus arising from the business of the society in each year shall be placed in the reserve fund until the amount in that fund has reached the amount that it stood at prior to the losses charged against it;
- (c) no member shall have any claim against the reserve fund or funds of a society prescribed by the Act and provided for in the by-laws except in the case of closure of liquidation in accordance with section *one hundred and fifty-three* of the Act.

101 Subject to the approval of the Registrar, moneys placed in a reserve fund may, until required for the purposes of a society, be deposited in commercial banks in Zambia, the Post Office Savings Bank, registered building societies, loan companies and trust companies authorised to receive money on deposit, a federation registered with objects in accordance with section *ninety-one* of the Act and authorised to receive money on deposit, or invested in any stocks, bonds or securities of the Government of Zambia.

Investment of moneys in reserve fund

Use of Petty Cash Fund

102. (1) Subject to rule 68, in the case of a credit union, payments by a society shall be made by cheque issued on a commercial bank or other depository in which the funds of the society are placed, except for payments out of a petty cash fund for designated purposes respecting the business of the society.

Restricted use of petty cash fund

(2) The amount of the petty cash fund and the purposes for which it shall be used shall be only by authorisation by a resolution of the board of directors and subject to the approval of the Registrar.

(3) Withdrawals from the bank or other depository for the petty cash fund shall be made only as required, so that the amount in such fund shall not exceed at any time the amount authorised by the directors and the Registrar.

(4) The petty cash fund shall be in the sole custody of the Treasurer, the Secretary-treasurer or manager, or his authorised assistant.

Inspection and Technical Advice

103. (1) Immediately after his inspection and audit of a co-operative society, other than a credit union as in rule 98, the representative of the Registrar or other duly authorised person who conducted such inspection and audit shall meet with the board of directors to discuss with them the condition of the society as he found it, and the need for any immediate action to be taken by the directors and other officers to improve operations and to protect the interests of members, or the need for technical or other special advice to improve operations and to achieve the objects of the society.

**Discussion of
inspection report
with officers of a
society**

(2) Discussion under sub-rule (1) shall include the condition of accounts payable by the society, the condition of accounts receivable by the society, including debts owing to the society by its members, and the need for immediate action if required in connection with such accounts.

(3) A report of any discussion under sub-rule (1) shall be included in the inspection and audit report to be sent to the Registrar for such further action as he may deem necessary.

104. (1) When the Registrar, subject to the approval of the Director of Co-operative Societies, arranges with the officers of a federation registered with objects in accordance with section *ninety-one* of the Act, to provide, where consistent with its objects, such technical or other information and advice regarding the operations of a society which is a member of such federation, as may be necessary to assist its officers and members in the achievement of its objects and purposes, and to provide to the society other services designed to facilitate the annual inspection and examination of its affairs, such a society shall provide the Registrar with such yearly and other returns and information as he may require for the purposes of the Act.

**Special services
by co-operative
federations**

(2) The adequacy of any annual inspection or examination or other services provided to a society under sub-rule (1) shall be subject to the approval of the Director of Co-operative Societies and the Registrar.

105. (1) When the Director of Co-operative Societies, subject to instructions, if any, from the Minister, arranges with the proper officers of any department or agency of the Government that such department or agency undertake to provide such technical or other information and advice regarding the operations of a society as may be necessary to assist its officers and members in the achievement of its objects and purposes, and, where appropriate, to provide to the society other services designed to facilitate annual inspection and examination of its affairs, such a society shall provide the Registrar with such yearly and other returns and information as he may require for the purposes of the Act.

**Special services by
Government
agencies**

(2) The adequacy of any inspection or examination or other services provided to a society under sub-rule (1) shall be subject to the approval of the Director of Co-operative Societies and the Registrar.

106. (1) When the Registrar is of the opinion that one or more persons, because of their knowledge, experience and position, will be able to advise and assist the officers of a society in the achievement of its objects and purposes, he may, subject to the approval of the Director of Co-operative Societies, appoint such person or persons as advisory or *ex officio* directors of the society for such period as he shall specify:

**Special services by
advisory officers
and members**

Provided that such advisory or *ex officio* directors shall have all the rights and privileges of an elected director or a member except the right to vote.

(2) When the by-laws of a society provide for the admission of advisory or *ex officio* members to assist and advise the society in the achievement of its objects and purposes, such advisory or *ex officio* members shall, subject to the by-laws, have all the rights and privileges of members except the right to vote.

Appointment of Auditor

107. (1) When the total assets of a society, except in the case of a credit union in accordance with rule 96, exceed K200,000 as shown by its latest financial statement, or such other amount as the Minister may prescribe by statutory order from time to time, the Registrar may require that the annual audit of the books and the accounts of such society shall be conducted by a person publicly carrying on the profession of accountant in Zambia.

**When
appointment
required**

(2) The auditor referred to in sub-rule (1) may be appointed by the Registrar or by the board of directors of the society with the approval of the Registrar.

(3) When a federation is registered in accordance with section *ninety-one* of the Act, and with objects that include the provision of auditing services to its member societies, a society that requires the services of an auditor in accordance with sub-rule (1) may be required to become a member of such federation and the federation shall then be requested by the Registrar to appoint the auditor for the society.

108. (1) Any society or kinds or classes of societies designated by the Registrar from time to time may be required by him to make annually a contribution to a fund for audit and inspection purposes.

Audit fees payable to Registrar under certain conditions

(2) The contribution mentioned in sub-rule (1) shall not be required from a society, including a credit union, which is required to use the services of an auditor in accordance with rule 96 or 107.

(3) Until such time as a federation mentioned in rule 107 (3) is able to provide auditing services and the audit fund or part thereof is credited to such federation, the fund shall be administered by the Registrar on behalf of contributing societies.

(4) So long as the Registrar administers the audit fund on behalf of contributing societies, he shall report annually to the Director of Co-operative Societies and to the Minister respecting the annual income received as contributions, if any, to finance the audit of existing societies, and the total amount in the fund from time to time.

(5) As soon as the fund has been credited to the federation mentioned in sub-rule (3), the moneys in the said fund shall be used by such federation to provide auditing services to societies in accordance with its objects.

(6) The appointment of the auditor or auditors by the federation under rule 107 and under this rule, and the adequacy of the services provided to societies thereby, shall be subject to the approval of the Registrar.

Charges by Societies

109. (1) The form of register to be kept by the Registrar in accordance with subsection (4) of section *one hundred and twenty-nine* of the Act for the registration of charges shall be as in Form 8.

Form of register and forms for registration and discharge

(2) The form of certificate to be issued by the Registrar in accordance with subsection (5) of section *one hundred and twenty-nine* of the Act shall be as in Form 9.

(3) The form of notification of a mortgage or charge to be sent to the Registrar by a society in accordance with subsection (6) of section *one hundred and twenty-nine* of the Act shall be as in Form 10.

(4) The form of notification of a series of debentures created by a society to be sent to the Registrar under subsection (6) of section *one hundred and twenty-nine* of the Act shall be as in Form 11.

(5) The form of certificate of entry of a memorandum of satisfaction to be provided by the Registrar on request in accordance with section *one hundred and thirty-two* of the Act shall be as in Form 12.

FIRST SCHEDULE

PRESCRIBED FORMS

FORM 1
(Section 10 (2))
(Rule 3 (1))

THE CO-OPERATIVE SOCIETIES ACT

APPLICATION FOR REGISTRATION OF A CO-OPERATIVE SOCIETY

1. We, the undersigned,
.....
.....
.....
.....
.....
.....
.....
.....
.....

(insert name, address and occupation of at least ten persons, or of at least two officers of each society if application is made by registered co-operative societies) desire to form a co-operative society under the Co-operative Societies Act, and hereby apply for registration.

2. The name of the proposed society is (insert name proposed)

3. The registered office of the society is to be at (insert proposed address)
.....
and its postal address will be

4. Enclosed are three copies of the proposed by-laws which specify the objects of the society.

5. These proposed by-laws were approved by persons willing to become members, at a general meeting held at on 19

6. persons, including the undersigned, are now willing to become members and have made the payment necessary for admission to membership as prescribed in the enclosed by-laws.

7. The registration fee is enclosed.

8. We, the undersigned, have consented to direct the affairs of the proposed society as required by section 111 (3) of the Co-operative Societies Act, until our successors are elected at the first annual general meeting held after registration of the society.

Dated at the day of 19

Witness
.....
.....
.....
.....
.....
.....

Certified correct

.....
Acting Chairman

.....
Acting Secretary

FOR USE OF REGISTRAR ONLY

1. Application for registration approved
2. Approval deferred pending receipt of further information (rule 4)
3. Application refused with reasons therefor given to the Minister and to the applicants,
and registration fee refunded (rules 7 and 8)

FORM 2
(Sections 10 and 11)
(Rules 3 and 4)

THE CO-OPERATIVE SOCIETIES ACT

PRELIMINARY APPLICATION TO FORM A CO-OPERATIVE SOCIETY

In order that more information and advisory assistance may be given to those who desire to organise a co-operative society, and to determine whether organisation and registration appear economically or otherwise advisable, the following information is required where applicable:

1. *Location of proposed society*

Give location and approximate size of area in which proposed society will provide services to members (if other societies are to be members give their names and location)

.....
.....
.....

2. *Kind of co-operative society required*

Describe briefly the main purpose for which the society is to be organised. (See Part V, VI, VII, VIII, IX, X, XI or XII of the Co-operative Societies Act for objects.)

.....
.....

3. *Reasons*

Give reasons for forming the society (it is important to describe in detail)

.....
.....
.....

4. *Source of membership support*

Briefly describe the main occupation, or employment, or residential area, or the trade union or fraternal or other bond of association or occupation of the people expected to become members (see No. 1)

.....
.....
.....

5. *Attitude towards community projects*

Do the people referred to in No. 4 work well together in voluntary projects to benefit the community or area in which they live, or the occupational, employment or associational group to which they belong?

.....
.....

6. *Expected membership*

(a) Number ready to join now

(b) Estimated number of persons expected to join within the first year of operation

.....
.....

7. *Leadership*

Are there a few persons in the group desiring to organise who will give unselfishly of their time to get the society started and assist in its operation? (List a few of them)

.....
.....
.....

8. *Office bearers*

Are the persons mentioned in No. 7 prepared to act as directors or on other committees and do they understand what their duties will be?

.....

9. *Management*

If the society is registered will the services of a competent manager (or Treasurer or Secretary-treasurer) be available?

(a) Name

(b) Experience and training

(c) Will he be able to keep or supervise the keeping of accurate books and records?

.....
.....
.....

10. *Financial participation by members*

(a) Will members provide share capital or other funds to get their society started and continue to give it financial support after operations commence?

(Members must gradually provide the basic capital required. Borrowings by a society for seasonal or other operations are possible only if members are prepared to finance the society they own and control.)

(b) Value of each share Ktotal expected to be paid on shares subscribed when operations commence K

(c) Total paid-up membership fees expected when operations commence K total entrance fees to be paid when operations commence K

(d) From what source of income will members provide the capital required? (e.g. from salaries, wages, business, seasonal sale of farm produce, etc.)

.....
.....
.....

INSTRUCTIONS

This preliminary application form and questionnaire should be completed on behalf of a group interested in the formation of a society and forwarded to the Registrar of Co-operative Societies. The Registrar may require additional information or recommend further preparation for organisation to ensure that the proposed society will be of lasting benefit to its members.

Register Number

.....

THE CO-OPERATIVE SOCIETIES ACT

CERTIFICATE OF REGISTRATION

I CERTIFY THAT I have this day registered the
..... Limited as a co-operative society under the
Co-operative Societies Act.
The registered address of the society is.....
.....
and its postal address is
Date

.....
Registrar of Co-operative Societies

APPLICATION FOR MEMBERSHIP

....., 19

TO THE BOARD OF DIRECTORS (COMMITTEE),

.....LIMITED

I hereby apply for membership in the
Limited. On becoming a member I agree to conform to the by-laws and amendments thereto, of the society
(or credit union), use its services faithfully, and be loyal to the society and to its members. The sum of

K.....is paid with this application, including (strike out where not applicable):

(a) entrance fee of

(b) membership fee of

(c) I subscribe for shares with payment thereon
of

Application endorsed by (Director or member in good standing or other person known to the directors).
.....

Signature of Applicant

Application approved by the board of directors (Committee) this
day of, 19

.....
Secretary

APPLICATION FOR JOINT MEMBERSHIP AGREEMENT

The undersigned apply for a joint membership in the Limited (hereinafter referred to as "the society"), and upon approval of the applicants (who may be man and wife or other persons) in joint membership by the society, do hereby agree each with the other and with the society, that all sums now invested in shares and moneys placed on deposit in the society or hereinafter paid in on shares and/or deposits, and all dividends and interest therefrom, shall be owned by us jointly with the right of survivorship, and shall be subject to withdrawal by either of us or the survivor of us, and the said payments upon withdrawal shall be valid and release and discharge the society from any payments so made.

In case of death of any one or more of the said joint members all rights and privileges of membership in all shares and deposits held jointly in the society shall be vested in the survivor or survivors.

Date
.....
Witness
Joint members

INSTRUCTIONS

This form is to be used to establish the rights of joint members and survivors. It can be adapted to the needs of members of a society other than a credit union.

DECLARATION OF OFFICE FORM

Joint declaration of directors, committee men and all other officers and employees
of the Limited
Located at
Postal address Zambia
TO WIT:

I, the undersigned officer or employee of the above-named society, do solemnly declare that, in so far as the duty is assigned to me because of my office or employment-

- (a) I will honestly and faithfully administer the affairs of the society in an efficient and business-like manner;
- (b) I will not knowingly violate or willingly permit to be violated any of the provisions of the Co-operative Societies Act, the Co-operative Societies Rules or the by-laws of the above-named society;
- (c) as an elected officer (or employee where applicable) I am the owner in good standing and in my own right of at least one share or paid-up membership in the society.

I further declare that-

- (d) I will properly and honestly carry out the duties assigned to me and, consistent with my duties as an officer or employee, hold in strict confidence all transactions of the members of the society;
- (e) I will study the Co-operative Societies Act, the Co-operative Societies Rules and the by-laws under which the above-named society operates.

<i>Signature</i>	<i>Address</i>
.....
.....
.....

And I make this declaration honestly believing it to be true, and knowing it is of the same force and effect as if made under oath.

Declared before me by each of the above-named persons at
this day of, 19

Signature
Commissioner for Oaths or Notary
Public or District Secretary

INSTRUCTIONS

This declaration form is to be signed by all officers, directors, committee men and employees upon their election or appointment to office.

Every society must keep this form for its records so that it will be available at the time of the annual inspection and audit.

If any employee is not a member this should be noted as he signs the declaration in view of clause (c).

(For use of Registered Organisations)

RESOLUTION OF DIRECTORS (COMMITTEE) RESPECTING DEPOSIT ACCOUNT SIGNING OFFICERS

To the Treasurer of , 19
..... Society, Limited.

The following resolution was passed at the meeting of the (name of society or other organisation)
duly called and held on the day of, 19

RESOLVED that
.....
(names of officers) are hereby authorised for and in the name of (name of society or other organisation)
hereinafter called the "Organisation"-

- (a) to draw, accept, sign, endorse, issue, execute and make all or any bills of exchange, promissory notes, cheques, orders for the payment of money and other negotiable or transferable instruments;
- (b))to pay and receive all moneys and give release for the same;
- (c) generally for and in the name of the Organisation to transact with the said society any business they may think fit.

Also that
.....
(names of officers) or any one of them be and are hereby authorised on behalf of the Organisation-

- (d) to negotiate with, deposit with or transfer to the said society (but for credit of the Organisation's account only), all or any bills of exchange, promissory notes, cheques or orders for the payment of money and other negotiable or transferable paper, and for the said purpose to endorse the same or any of them on behalf of the Organisation, and also from time to time to arrange, settle, balance and certify all books and accounts between the Organisation and the society;
- (e) to receive all paid cheques and vouchers, unpaid and unaccepted bills of exchange and other negotiable or transferable instruments, and to sign the society' form of settlement of balances and release:

Provided that this resolution be sent to the society and remain in force until written notice to the contrary shall have been given to the treasurer at the office of the society at which the account of the Organisation is kept, and receipt of such notice duly acknowledged in writing.

CERTIFIED A TRUE COPY

SEAL

.....
Chairman
.....
Secretary

INSTRUCTIONS

The foregoing resolution shall be completed by the proper officers of a municipality with a corporate status that is admitted to membership in and does business with a credit union.

(For use of unincorporated Organisations)

RESOLUTION RESPECTING DEPOSIT ACCOUNTS AND SIGNING OFFICERS

(For clubs, religious groups, labour, fraternal and similar organisations that are not registered)

RESOLVED:

(1) That
Society, Limited is hereby appointed depository of
..... (name of club, etc.) hereinafter called the
"Organisation".

(2) That
.....
(names of officers) or any one of the officers or persons in clause (3) hereof are/is hereby authorised for and on behalf of
the Organisation-

- (a) to negotiate with, deposit with or transfer to the society (but for the credit of the Organisation's account only) all or any cheques, promissory notes, bills of exchange, order for the payment of money and other paper negotiable or otherwise, purporting to be signed or endorsed on behalf of the Organisation by them or any one of them, or having the name of the Organisation impressed thereon by rubber stamp or otherwise; and
- (b) to arrange, settle, balance and certify all books and accounts between the Organisation and the society, and to receive from the society a statement of the account of the Organisation, together with all relative vouchers and all unpaid bills lodged for collection by the Organisation and all items returned unpaid and charged to the account of the Organisation, and to sign and deliver to the society the society's form of verification, settlement of balance and release:

Provided, however, that the said officers may in writing appoint from time to time any person or persons to receive from the society a statement of the account of the Organisation, together with all vouchers and all unpaid bills lodged for collection by the Organisation and all items returned unpaid and charged to the account of the Organisation, and to sign and deliver to the society, the society's form of verification, settlement of balance and release.

(3) That
.....
(names of officers) are/is hereby authorised on behalf of the Organisation-

- (a) to make, sign and draw all or any cheques or orders for the payment of money against the account or accounts of the Organisation with the society, but without power to overdraw the said account or accounts; and
- (b) to obtain delivery from the society of all or any bonds, stocks and other securities held by the society in safe keeping or otherwise for the account of the Organisation, and give valid and binding receipts therefor.

(4) That all agreements, documents and instruments, whether negotiable or not, purporting to be signed, made, drawn, accepted, executed or endorsed as hereinafter provided, shall be valid and binding upon the Organisation, and the society is hereby authorised to act thereon and give effect thereto.

(5) That this resolution be sent to the society and remain in force until written notice to the contrary shall have been given to the treasurer at the office of the society at which the account of the Organisation is kept, and receipt of such notice duly acknowledged in writing.

CERTIFICATE

We, the undersigned, hereby certify that the foregoing resolution was duly passed at a
meeting of
(name of club, religious group, fraternal organisation, etc.) duly called and held on
the day of, 19, the whole
in accordance with the laws or regulations governing the said Organisation, and that the said resolution is in full force and
effect.

Given under our hands and seal of the said Organisation this
day of, 19

.....
Chairman or President

.....
Secretary

INSTRUCTIONS

The foregoing resolution shall be completed by the authorised officers of a club, religious, labour, farmer, fraternal or similar group that is not registered and does not have a corporate status, but is admitted to membership in and does business with a credit union.

THE CO-OPERATIVE SOCIETIES RULES

CHARGES REGISTER

The Register of Co-operative Societies of Zambia

Particulars of all mortgages and charges created by Registration No

Registered number of charge	Date of creation	Amount secured K	Short particulars of the property mortgaged or charged	Names of mortgagees or persons entitled to the charge

THE CO-OPERATIVE SOCIETIES RULES

FORM 9
(Section 129 (2))
(Rule 109 (2))

CERTIFICATE OF REGISTRATION OF A CHARGE IN ACCORDANCE WITH
OF THE CO-OPERATIVE SOCIETIES ACT

THIS IS TO CERTIFY that a Mortgage on.....
.....
dated the day of, 19, and
created by
in favour of
for securing K and interest was this day registered pursuant to section
..... of the Co-operative Societies Act.

Given under my hand at Lusaka this day of,
19
Registered No. of Charge
Page Reference No

.....
Registrar of Co-operative Societies

THE CO-OPERATIVE SOCIETIES RULES

PARTICULARS OF A MORTGAGE OR CHARGE CREATED

BY

Date of the instrument creating or evidencing the mortgage or charge and description thereof	Amount secured by the charge K	Short particulars of the property mortgaged or charged	Names descriptive person e

THE CO-OPERATIVE SOCIETIES RULES

PARTICULARS OF A SERIES OF DEBENTURES CREATED

BY

Total amount secured by the whole series	Amount of the present issue of the series	Dates of resolutions authorising the issue of the series	Date of the covering deed (if any) by which the security is created or defined	General description of the property

THE CO-OPERATIVE SOCIETIES RULES

FORM 12
(Section 132)
(Rule 109 (5))

CERTIFICATE OF ENTRY OF A MEMORANDUM OF DISCHARGE
OF A MORTGAGE

THIS IS TO CERTIFY that I have this day entered on the Register of Mortgages a
Memorandum that the Mortgage on
dated the day of, 19, and
created by
in favour of
for securing K and interest, has been satisfied in full.

Given under my hand at Lusaka this day of
19

Registered No. of Charge

Page Reference No.

.....
Registrar of Co-operative Societies

SECOND SCHEDULE
(Rule 3 and 8)

PRESCRIBED FEES

						Fee units
1. Registration of society comprising an individual person ..	..	..	..	..	..	55
2. Registration of a co-operative union ..	..	..	..	..	..	111
3. Registration of a federation ..	..	..	..	..	..	278
4. Registration of amendments to each by-law..	..	..	..	..	..	11
5. Inspection of by-laws in office of the Registrar-each inspection	..	..	..	..	..	28
6. Registration of change of name of a registered society ..	..	..	..	..	..	28
7. Registration of a charge ..	..	..	..	..	..	111
8. Replacement of lost certificate of any registration ..	..	..	..	..	..	30

(As amended by S.I. No. 4 of 1997)

SECTIONS 167 AND 172-EXEMPTIONS FROM THE PROVISIONS
OF THE ACT

Government Notice
381 of 1953

Orders by the Minister

Any society whose stated objects and business are primarily of a charitable, cultural or social nature which wishes to register a by-law providing that, in the event of dissolution and liquidation, the surplus funds of the society shall be distributed for charitable, cultural or social purposes through the Registrar, is hereby exempted from the provisions of subsection (3) of section *one hundred and fifty-three* of the Act in so far as that subsection refers to the distribution of surplus funds amongst members (or their personal representatives) at the time of dissolution, and shall remain so exempted so long as the registered by-laws of the society contain such by-law as is mentioned above.

The society known as the Farmers' Co-operative Society of Zambia Limited is hereby exempted, in respect only of that class of share defined in the by-laws of the said society as investment shares, from the provisions of section *one hundred and three* of the Act.

Government Notice
326 of 1954

The society known as the Farmers' Co-operative Society of Zambia Limited is hereby exempted, in respect only of that class of share defined in the by-laws of the said society as investment shares, from the provisions of subsection (3) of section *one hundred and fifty-three* of the Act.

Government Notice
208 of 1956

The society known as the Agricultural Society of Zambia is hereby exempted from the provisions of subsection (4) of section *twelve* of the Act.

Government Notice
250 of 1961