

Cooperatives Act, 2017

An Act Made for Amendment and Consolidation of Laws concerning Cooperatives

Date of Authentication

2074-7-4 (October 18, 2017)

Act No. 41 of the Year 2074

Preamble: Whereas, it is expedient to amend to and consolidate the prevailing laws relating to cooperatives in order to make economic, social and cultural upliftment of members of cooperative through integration of capital, technology and talents scattered amongst farmers, craftsperson, laborers, low income groups and marginalized communities or general consumers in accordance with norms, values and principles of cooperatives; to promote the regulation of cooperative organization as community-based, member-centric, democratic, autonomous, corporate entity; and to develop self-reliant, sustainable and socialism-oriented national economy by way of cooperative farming, industries, goods and services enterprises;

Be it enacted by the Legislature-Parliament referred to in clause (1) of Article 296 of the Constitution of Nepal.

Chapter-1

Preliminary

1. Short Title and Commencement: (1) This Act may be cited as “Cooperatives Act, 2017.”
(2) This Act shall come into force immediately.
2. Definitions: Unless the subject or context requires otherwise, in this Act,-
 - a) “Internal Procedures” means the Internal Procedures framed by a Co-operative Organization pursuant to Section 28.
 - b) “Offence” means an offence referred to in Section 122.
 - c) "Prescribed" or "as prescribed" means prescribed or as prescribed in the Rules framed under this Act.

- d) “Family” means the husband or wife, son, daughter-in law, daughter, adopted son, adopted daughter, father, mother, step mother of a member and elder brother, elder sister-in law, younger brother, younger sister-in-law, elder sister or younger sister to whom the member has to take care of.

Provided that this term does not include a member of the family who has been living separate either upon partition of family property or carrying out his or her own profession or business.

- e) “Primary Capital Fund” means the share capital and reserve fund.
- f) “Savings” means an amount deposited by a member in a Cooperative Organization.
- g) “Ministry” means the Ministry of Government of Nepal looking after cooperative affairs.
- h) “Main transaction” means a transaction having 30% or more share in liability of savings mobilized in the commercial activities or in purchase or sales transactions of members until the latest fiscal year.
- i) “Registrar” means the Registrar designated pursuant to Section 92.
- j) “Accounts Supervision Committee” means the Accounts Supervision Committee referred to in Section 48.
- k) “Byelaws” means the Byelaws framed by the concerned Cooperative Organization pursuant to Section 27.
- l) “Department” means the Department of Cooperatives.
- m) “Share” means a divided portion of the share capital of a Cooperative Organization.
- n) “Local Level” means a Rural Municipality or a Municipality and the words also include Sub-Municipal Corporation and Municipal Corporation as well.
- o) “Director” means a member of the Board of Directors and the word also includes an official of the Board.
- p) “Member” means the person who has obtained membership of a Cooperative Organization.
- q) “Board” means the Board of Directors referred to in sub-Section (1) of Section 41.
- r) “Cooperative Bank” means a Cooperative Bank Registered pursuant to Section 12.

- s) “Cooperative values” means internationally recognized cooperative values including self-reliance, self-responsibility, democracy, equality, equity, solidarity, integrity, openness, social responsibility, and care for others.
- t) “Cooperative business” means commercial activities operated as provided for in the Byelaws of the Cooperative.
- u) “Cooperative principles” means internationally recognized cooperative principles including voluntary and open membership; democratic control by members; financial participation of members; autonomy and independence; education, training and information; mutual cooperation amongst cooperatives, and concerns towards community.
- v) “Cooperative Organization” means an Organization or Association and the word also includes a Cooperatives Bank as well.
- w) “Association” means the District Sectoral Cooperative Association, District Cooperative Association, Province Sectoral Cooperative Association, Central Sectoral Cooperative Association and Specialized Cooperative Association and the word also includes the National Cooperative Association formed under the same Section.
- x) “Organization” means a Sectoral or Multipurpose Organization formed pursuant to Section 3 and Registered pursuant to Section 15.
- y) “General Meeting” means a General Meeting of a Cooperative Organization.

Chapter-2

Formation and Registration of Cooperative Organization

3. Formation of Organization: (1) Three Nepali citizens in the minimum may mutually form a Sectoral or multipurpose Cooperative Organization.
(2) Notwithstanding anything contained in sub-Section (1), in case of a Cooperative Organization carrying out business based on labor and skills involving laborers and youths and others, even 15 Nepali citizens may form such Organization.
(3) Notwithstanding anything contained in sub-Section (1), participation of at least one hundred Nepali citizens shall be required while forming an Organization carrying out transactions of savings and credits in a Metropolitan City or Sub-Metropolitan City.

(4) While forming an Organization under this Section, the number referred to in sub-Section (1), (2) and (3) shall be met at the rate of one member per family.

Provided that there shall be no hindrance to acquire membership by more than one persons of a family once an Organization is registered pursuant to Section 15.

(5) Notwithstanding anything contained in sub-Section (1), at least one hundred employees, teachers or professors who are incumbent in an office getting remuneration from Government of Nepal, Provincial Government, Local Level or from a school, University or corporate entity getting a grant from, or under the ownership of, such government or level may, based on the professional organization formed according to the prevailing law, form together an organization with a condition to abide by the terms and conditions as prescribed.

Provided that in an office with less than one hundred employees, at least thirty employees, teachers or professors may, form together an organization with a condition to abide by the terms and conditions as prescribed.

4. Formation of District Sectoral Cooperative Association: At least eleven Organizations formed pursuant to Section 15 for carrying out works including works of development, promotion and marketing of Cooperative enterprise may together form District Sectoral Cooperative Association on their specific sector.

Provided that least seven Organizations may together form a district Sectoral Cooperative Organization on their specific sector in the remote districts which Government of Nepal has specified as those belonging to Class "A".

5. Formation of District Cooperative Association: At least eleven Organizations which have been Registered pursuant to Section 15 and engaged in works including the works of development, promotion and marketing of cooperative enterprises may together form Sectoral District Cooperative Association on their sector.

Provided that :-

- 1) At least seven Organizations may together form a district Sectoral Cooperative Association on their specific sector in the remote districts which Government of Nepal has specified as those belonging to Class "A".
 - 2) While forming Association in such a manner, it shall include in the Association more than fifty percent of the Sectoral Associations Registered in the district.
6. Formation of Provincial Sectoral Cooperative Association: At least 25 Sectoral Organizations of at least five districts Registered pursuant to Section 15 for carrying out works including works of development, promotion and marketing of

Cooperative enterprise may together form Provincial Sectoral Cooperative Association on their specific sector.

Provided that while forming Association in such a manner, it shall include in the Association more than fifty percent of the Sectoral Associations Registered in the Province.

7. Formation of Provincial Cooperative Association: In order to support in development, promotion and marketing of cooperative enterprises, at least 31 organizations formed in at least five districts or district cooperative sectoral associations or district cooperative associations or provincial Sectoral associations may form together Provincial Cooperative Association.

Provided that while forming Association in such a manner, more than fifty percent of each of the district cooperative sectoral associations, district cooperative associations or provincial sectoral associations Registered all over the province shall have to be included.

8. Formation of Central Sectoral Cooperative Association: In order to support in development, promotion and marketing of cooperative enterprises, at least 51 organizations formed in at least seven districts or district cooperative Sectoral associations or district cooperative associations or provincial Sectoral associations may form together Central Sectoral Cooperative Association.

Provided that while forming Association in such a manner, more than fifty percent of each of the district cooperative Sectoral associations, or provincial Sectoral associations registered all over the province shall have to be included.

9. Formation of Specialized Cooperative Association: (1) At least 25 multi-purpose or Sectoral organizations Registered pursuant to Section 15 may form together specialized Cooperative Association for carrying out works requiring large amount of investment and relating to hydro power, chemical fertilizers factory, residential projects, transport, heavy agro equipment, fruits processing, herbs processing, sugar industries, cold storage, hospital, college, technical schools, laboratory or to fulfill the demand of common needs of members. This shall not have right to choose or to be chosen in any association or federation.

(2) Its operational procedures shall be as prescribed.

10. Formation of Federation of National Cooperatives: (1) The following Organization or Association may together form National Federation of Cooperatives with the objective of promoting good governance in cooperatives sector on the basis of values, norms and principles of cooperatives:-
 - a) More than 50% of the District Sectoral Cooperatives Associations formed pursuant to Section 4;

- b) More than 50% of the District Cooperatives Associations formed pursuant to Section 5;
- c) More than 50% of the Provincial Sectoral Cooperatives Associations formed pursuant to Section 6;
- d) More than 50% of the Provincial Cooperatives Associations formed pursuant to Section 7;
- e) More than 50% of the Central Sectoral Cooperatives Associations formed pursuant to Section 8.

(2) Notwithstanding anything contained in sub-Section (1), the National Cooperatives Association Registered at the time of commencement of this Act shall be deemed to have been converted as the National Cooperatives Federation under this Act.

11. No Association may be formed: Notwithstanding anything contained in sections 4,5,6,7,8 and 10, no more than one district Sectoral cooperatives association or district cooperative association of the same nature; no more than one provincial Sectoral cooperatives association or provincial cooperative association of the same nature; or no more than one central cooperatives federation may be formed.
12. Formation of Cooperative Bank: (1) Organizations and Associations together may, with prior approval of the Nepal Rastra Bank, form Cooperative Bank with the objectives of accepting savings of Organization or Association, to disburse credits or to provide banking services to such Organization or Association.

(2) Notwithstanding anything contained in sub-Section (1), the national cooperatives bank that is in operation at the commencement of this Act shall be deemed to have been formed under this Act.

(3) Other provisions concerning formation of Cooperative Bank shall be as prescribed.
13. No Operation of Cooperative Organization without Registration: No one shall operate Cooperative Organization without getting it Registered.
14. Application to be submitted for Registration: (1) The Cooperative Organizations formed under this Act shall, for the purpose of registration, submit application in the prescribed format to the authority authorized by the Registrar in case of the Organization referred to in Section 3, District Sectoral Cooperatives Association referred to in Section 4 or District Cooperatives Association referred to in Section 5; and to the Registrar in case of Provincial Sectoral Cooperatives Association referred to in Section 6, Provincial Cooperatives Association referred to in Section 7, Central Sectoral Cooperatives Association referred to in 8, Special Cooperatives

Association referred to in Section 9, National Federation of Cooperatives referred to in Section 10 or Cooperative Bank referred to in Section 12.

(2) The following documents shall have to be submitted along with the application referred to in sub-Section (1):-

- a) Proposed Byelaws of a Cooperative Organization;
- b) Report of the feasibility study of operation of the Cooperative Organization;
- c) Details as to the number of shares undertaken to subscribe by the members and amount of share;
- d) Other details as prescribed.

(3) While submitting application for registration of a Cooperative Bank pursuant to sub-Section (1), prior approval of the Nepal Rastra Bank, in addition to the documents referred to in sub-Section (2), shall also be included.

15. To be Registered: (1) In case the following conditions are found to have been met while conducting an inquiry on the documents along with the application referred to in sub-Section (1) of Section 14, the Registrar or the authority authorized by the Registrar shall, within 30 days from the date of filing of the application, Registrar the Cooperative Organization and issue a certificate thereof in the prescribed format.

- a) The Byelaws submitted along with the application is consistent with this Act and Rules framed under this Act;
- b) There is the basis that the proposed Cooperative Organization could be run according to the values, norms and principles of cooperatives;
- c) There is clear basis that the Cooperative Organization could be run and controlled being community-based and member-centric;
- d) Other bases prescribed are completed.

(2) While carrying out inquiry pursuant to sub-Section (1), in case it is found that the proposed Cooperative Organization could not be Registered without amendment to the Byelaws of the organization, the Registrar or the authority authorized by the Registrar shall issue a notice to that effect to the applicant within fifteen days of the date of receipt of the application.

(3) Notwithstanding anything contained elsewhere in this Act, the Cooperative Organizations which are registered and in operation at the commencement of this Act shall be deemed to have been registered under this Act.

- (4) While registering a Cooperative Organization under this Act, the authority referred to in sub-Section (1) of Section 14 may prescribe any condition to be fulfilled by such Cooperative Organization.
- (5) In case any condition is prescribed pursuant to sub-Section (4), it shall be the duty of the concerned Cooperative Organization to comply with such condition.
- (6) Notwithstanding anything contained elsewhere in this Section, savings and credit Cooperative Organization shall be registered in case of a Municipal Corporation and sub-Municipal Corporation and in one Municipality or Rural Municipality according to the prescribed standards.
- (7) In case of specialized Organization referred to in Section 9, such organization may be registered without having duplication in the services to be provided by the District Sectoral Cooperatives Association or by the Central Sectoral Cooperatives Association.
16. Registration may be denied: (1) In case there is no condition referred to in sub-Section (1) of Section 15, in case the applicant rejects to amend to the Byelaws within the period of time when information has been given to amend the Byelaws under the same Section, in the Byelaws is not amended within thirty days from the date of providing such information or the Byelaws is not amended as stated in the information, the Registrar or the authority authorized by the Registrar may reject to Registrar such Cooperative Organization.
- (2) In case the registrar denies to Registrar the Cooperative Organization pursuant to sub-Section (1), the Registrar or the authority authorized by the Registrar shall have to give a notice thereof to the concerned applicant within three days specifying reasons thereof.
17. Cooperative Organization to be corporate entity: (1) Cooperative Organization shall be an autonomous corporate body having perpetual succession.
- (2) There shall be a separate seal for carrying out functions and activities of Cooperative Organization.
- (3) Cooperative Organization may, subject to this Act, acquire, utilize, sell or dispose of movable or immovable property as a person.
- (4) Cooperative Organization may sue a case as a person and it may be sued against in its name.
- (5) Cooperative Organization may conclude a contract as a person.
18. Working Area of Cooperative Organization: (1) The working areas of a Cooperative Organization at the time of registration shall be as follows:-

(a) In case of an Organization carrying out main transaction of savings and credits, one ward in case of Municipal Corporation or Sub-Municipal Corporation;

(b) In case of an Organization carrying out the main transaction of savings and credits and in case of other Organization in a Municipality or Rural Municipality, in one Local Level only on the following basis as prescribed :-

- 1) Common bond executed for mutual practice of self-reliance among members;
- 2) Number of the members required for operating services in commercial manner;
- 3) Convenient place for having participatory democratic control of members in operation of the Organization.

(2) Notwithstanding anything contained in sub-Section (1), after two years of registration and operation of commercial service by an Organization, it may extend its working areas as follows on the following bases:-

- a) Additional working areas required to increase number of members in the course of increment of commercial operation of the Organization;
- b) Creative measures are followed for maintaining direct control of members in the transaction of business of the organization;
- c) This is no contrary to the standards determined pursuant to sub-Section (6) of Section 15.

(3) Notwithstanding anything contained in sub-Section (2), working areas may be extended on the grounds of nature of settlement of members, convenient place, local settings, and other specific commercial needs as topography prescribed.

(4) Notwithstanding anything contained elsewhere in this Section, the working areas of an Organization may be extended to one local level or district or more than one districts or more than one province which requires wider working areas due to expansion of commercial areas such as hydropower project, education, linguistic, literary cultural, health services, communication, production, storage and processing special agro or forests products or increase of participation of members.

(5) The working areas of the Organizations which are in operation at the commencement of this Act shall be deemed to have been maintained time of the under this Act.

Provided that those organizations shall have to submit to the Registrar or the authority authorized by the Registrar business operation report till the date of commencement of this Act within one year from the commencement of this Act specifying the following details:-

- (a) Condition of the spread of membership distribution in the existing working areas in terms of province, district, local level and ward;
- (b) Condition of commercial service operations according to current working areas in terms of province, district, local level and ward;
- (c) Other details as prescribed.

(6) After submission of the business operations report pursuant to sub-Section (5), the Registrar or the authority authorized by the Registrar shall conduct necessary inquiry and may issue directive to the concerned Cooperative Organization to re-determine the working areas as follows:-

- a) To decrease the working areas by removing province, district, local level and ward which does not have extension of membership referred to in the distribution of clause (a) of sub-Section (5) or which have less number of members than the prescribed number or which does not have geographical continuity;
- b) To decrease the working areas by removing province, district, local level and ward where any commercial service is not being operated or commercial services is operated in less than the prescribed amount or proportion than the proscribed amount of the total transaction according to the statement referred to in clause (b) of sub-Section (5);
- c) To maintain appropriate working areas by decreasing province, district, local level and ward with a view to increase commercial efficiency of the organization to sustain the operational case of the Organization and to maintain participatory democratic control of members in the operation of the organization;
- d) To maintain appropriate working areas by removing the additional working areas of province, district, local level and ward in order facilitate the acquisition of membership of district or province Sectoral association or of the district or province Cooperative Organization easier for the commercial or promotional services.

(7) In case the Registrar or the authority authorized by the Registrar gives directives pursuant to sub-Section (6), the Cooperative Organization shall have to amend to the Byelaws within one year and re-determine its working areas.

(8) In case the concerned Cooperative Organization does not re-determine the working areas pursuant to sub-Section (7), the Registrar or the authority authorized by the Registrar shall re-determine the working areas of the Organization within a period of three months subject to sub-Section (2).

(9) In case a Cooperative Organization the working areas of which has been re-determined by the Registrar or the authority authorized by the Registrar pursuant to sub-Section (8) does not satisfy with the redetermination of the working areas, it may file an application for review to the Registrar in case the decision has been made by the authority authorized by the Registrar and to the ministry in case the decision is make by the Registrar within 35 days from the date of receipt of the information of the redetermination.

(10) The Registrar or Ministry shall have to complete the review on the application received pursuant to in sub-Section (9) within sixty days.

(11) Notwithstanding anything contained elsewhere in this Section, a Cooperative Organization may at any time bring amendment to the Byelaws to decrease the working areas on voluntary basis.

(12) Other provisions relating to redetermination of working areas shall be as prescribed.

(13) The process of expansion of working areas pursuant to sub-Sections (2) and (3) shall be as prescribed.

19. Working Area of Association and Cooperative Bank: The working areas of Association and Cooperative Bank shall be as follows:-

- a) One district in case of District Sectoral Cooperative Association or District Cooperative Association;
- b) One province in case of Province Sectoral Cooperative Association or Province Cooperative Association;
- c) Through out Nepal in case of Central Sectoral Cooperative Association or National Federation of Cooperatives;
- d) In case of a specialized Association, depending upon collection, distribution or flow of service based on its nature;
- e) In case of a Cooperative Bank, as specified by the Nepal Rastra Bank.

20. Classification may be made based on Sectoral Basis: Organization or Association may be classified based on sectors as prescribed.

21. Transaction, Business, Industries, or Project may be operated: (1) After receiving the certificate of registration pursuant to Section 15, the Organization or Association may operate necessary transaction, business, industries, or project subject to this Act and Byelaws for the purpose of attainment of the objectives referred to in Section 24.

(2) The Cooperative Bank may operate its transaction or services only after obtaining license from the Nepal Rastra Bank.

(3) Notwithstanding anything contained in the prevailing laws, the Organization or Association does not need to Registrar an organization separately in order to carry on transaction, business, industries, or project referred to in sub-Section (1).

Provided that in case the prevailing law requires such permission, approval or license has to be obtained to carry on such transaction, business, industries, or project, such transaction, business, industries, or project shall be carried out only after obtaining the permission, approval or license, accordingly.

(4) In case the Organization or Association obtains permission, approval or license from the agency or authority authorized according to the prevailing laws, it shall inform the Registrar or the authority authorized by the Registrar within fifteen days of the date of receipt of such permission, approval or license.

(5) Two or more Organizations and Associations may, subject to this Act, carry on transaction, business, industries, or project for marketing of their product or service jointly or in partnership.

(6) Other provisions relating to operation of transaction, business, industries, or project referred to in sub-Section (5) shall be as prescribed.

(7) Notwithstanding anything contained in the prevailing laws, the Organization or Association may sell the product of the transaction, business, industries, or project to be operated pursuant to sub-Section (1) in the brand name of the Co-operative.

Provided that in case the prevailing law requires that the approval of receiving such brand has to be obtained, such approval shall be obtained accordingly.

(8) The process and bases of issuance of the certificate of origin of the goods to be produced by the Organization or Association shall be as prescribed.

22. Liabilities to be limited: (1) Liability of a member in terms of transaction of a Cooperative Organization shall be limited only up to the maximum limit of the shares he/she has subscribed or agreed to subscribe.

(2) The name of a Cooperative Organization shall contain “cooperative” and it shall contain the word “limited” at the end.

23. Values, norms and principles of cooperative to be complied with: Values, norms and principles of cooperative shall be complied with while forming and operating a Cooperative Organization.

Objectives and Functions of Organization or Association

24. Objectives of Organization or Association: The main objective of an Organization or Association shall be to attain economic, social and cultural prosperity based on working areas and on being concentrated on its members.
25. Functions of Organization or Association: The Organization or Association shall carry out the following functions:-
- a) To comply with or cause to be complied with the values, norms and principles of cooperatives;
 - b) To promote interests of members and its own and to carry out or cause to be carried out their marketing;
 - c) To provide education, training and information to members and to promote or cause to be promoted good governance in Organization or Association;
 - d) To promote or cause to be promoted mutual cooperation between Organization and Association;
 - e) To determine standards of the products and services of the Organization or Association and to carry out functions as to quality reform, economic stability and risks management;
 - f) To submit internal control system;
 - g) To operate activities relating to commercial promotion and development of Organization or Association;
 - h) To comply with the directives of the Ministry, Registrar, Province, local level or office;
 - i) To carry out functions referred to in the Byelaws.
26. Functions of National Cooperatives Federation: The National federation of Cooperatives shall carry out the following functions for promotion of interests of members:-
- a) To comply with or cause to be complied with the values, norms and principles of cooperatives;
 - b) To play leading roles for promotion of interests of members;
 - c) To carry out coordination and collaboration with various agencies of Government of Nepal on promotion of cooperative sector;
 - d) To conduct and cause to be conducted commercial and market-related studies and researches for promotion of cooperative enterprises;

- e) To provide or cause to be provided education, trainings, and information;
- f) To develop market information system;
- g) To promote or cause to be promoted mutual cooperation among Organizations and Associations;
- h) To promote mutual cooperation in international cooperatives movement and to coordinate and expand relations;
- i) To promote good governance in cooperative sector;
- j) To carry out such other functions as referred to in the Byelaws.

Chapter -4

Byelaws and Internal Procedures

27. Byelaws to be framed: (1) Cooperative Organization shall frame Byelaws for conducting its business subject to this Act, the Rules, Directives, Standards and Procedures framed under this Act.
- (2) The Byelaws referred to in sub-Section (1) shall come into force after approved by the Registrar or the officer authorized by him or her.
- (3) Notwithstanding anything contained in sub-Section (2), the Registrar shall obtain consultation of the Nepal Rastra Bank before approving Byelaws of the Cooperative Bank.
28. Internal Procedures may be framed: (1) Cooperative Organization may frame Byelaws as may be necessary for conducting its business subject to this Act, the Rules, Directives, Standards and Procedures framed under this Act.
- (2) The internal procedures referred to in sub-Section (1) shall come into force after it is approved by the General Meeting.
29. Amendment to Byelaws and Internal Procedures: (1) Byelaws and internal procedures may be amended by the majority of the total number of members of the General Meeting of the Cooperative Organization.
- (2) The amendment to the Byelaws referred to in sub-Section (1) shall come into force after the approval by the Registrar or the officer authorized by him or her.

Chapter-5

Membership

30. Membership of Organization: (1) The following Nepali citizens having completed the age of sixteen years may become members of an Organization:-
- a) Residing within the working area of the Organization;
 - b) Having subscribed at least one share of the Organization;
 - c) Having agreed to comply with the terms and conditions referred to in Byelaws of the Organization;
 - d) Having agreed to bear responsibility of the Organization;
 - e) Not having had transactions that is competitive with the transactions being carried out by the Organization.
- (2) Notwithstanding anything contained elsewhere in this Act, it shall hinder any agencies of Government of Nepal, Provincial Government, local level, cooperative and community schools, trusts, local clubs, non-profit making organizations Registered at local level, production-oriented or service-oriented organizations and associations, consumers groups to become a member of the Organization.
- (3) Notwithstanding anything contained elsewhere in this Section, shall not hinder Cooperative Organization to become a member of health Cooperative Organization.
31. Application to be submitted to acquire membership: (1) concerned person willing to obtain membership of the Organization shall submit application to the committee of the Organization.
- (2) The committee shall, within thirty five days from the date of submission of the application pursuant to sub-Section (1), have to take a decision whether or not to confer membership subject to this Act, Rules and Byelaws framed under this Act.
- (3) While taking a decision pursuant to sub-Section (2), in case the committee decides not to confer membership, it shall inform the applicant within seven days specifying the reason thereof.
- (4) The concerned person may file a complaint to the official authorized by the Registrar against such Organization within thirty days from the date of receipt of the information referred to in sub-Section (3).
- (5) The official authorized by the Registrar may, if it finds appropriate to confer the membership following an inquiry on the complaint received pursuant to sub-Section (5), order the concerned Organization to confer the membership.
- (6) In case of receipt of the order pursuant to sub-Section (5), the concerned Organization shall confer membership to the applicant within seven days of the date of receipt of such as order and inform the same to the official authorized by the registrar.

32. Restriction on membership: (1) No person shall be a member of more than one Organization of the same nature at the same local level.

Provided that in case a person is a member of more than one Organizations of the same nature in the same local level before the commencement of this Act, he/she has to retain membership of only one Organization within a period of three years from the date of commencement of this Act.

(2) In case any agency of Government of Nepal or any artificial person, other than those referred to in sub-Section (2) of Section 30 is a member of any Organization at the commencement of this Act, it shall terminate the membership within five years from the date of being the member.

Provided that this sub-Section shall not apply in case of health and education Cooperative Organization registered prior to the commencement of this Act.

33. May become a member: (1) The District Sectoral Organizations may become member of the District Sectoral Cooperative Association referred to in Section 4
- (2) The Organizations in the district and district Sectoral Associations may be become member of the District Cooperative Association referred to in Section 5.
- (3) The Sectoral Organizations in the province and District Sectoral Associations may be become member of the Province Sectoral Cooperative Association referred to in Section 6.
- (4) Organizations in the Province, District Sectoral Cooperative Associations, District Cooperative Organizations and Province Sectoral Cooperative Associations may become members of the Province Cooperative Association.
- (5) Sectoral Organizations, District Sectoral Associations and Province Sectoral Associations may become members of the Central Sectoral Cooperative Association referred to in Section 8.
- (6) District Sectoral organizations, District Cooperative Associations, Province Sectoral Associations, Province Cooperative Associations and Central Sectoral Cooperative Association may become members of the National Federation of Cooperatives referred to in Section 10.
- (7) Only Organizations and Associations may become members of the Cooperatives Bank.
- (8) The process of acquiring membership under this Section shall be as prescribed.
34. Termination of Membership: (1) Membership of any member shall be terminated in the following circumstances:-

- a) In case a member withdraws its membership;

- b) In case a member is absent in the annual General Meeting for a consecutive three times without a notice;
- c) In case a member frequently violates the provisions it has to comply with according to this Act, Rules or Byelaws framed under this Act.
- d) In case of a member, who has not qualifications referred to in Section 30.

(2) Notwithstanding anything contained in sub-Section (1), in case any member has any amount received from, or to be repaid to, a Cooperative Organization, the membership shall not be terminated until such an amount is settled; or if such a member has obtained any credit or has any liability to be met or has guaranteed on behalf of any other member, the membership shall not be terminated until such liability is absolved.

(3) Notwithstanding anything contained in this Section, no one shall be removed from the membership after the decision is taken to hold General Meeting and until the General Meeting is held.

(4) Other matters as to the termination of membership shall be as prescribed.

35. Facilities not to be entitled to: In case any member does not repay any liability to be repaid to any Cooperative Organization within the fixed period or frequently violates the provisions of this Act, Rules or Byelaws framed under this Act, such a shall not be entitled to the facilities as other members.

Chapter -6

General Meeting, Board of Directors and Account Supervision Committee:

36. General Meeting: (1) There shall be a General Meeting as the supreme body of a Cooperative Organization.
- (2) All members of a Cooperative Organization shall be the members of the General Meeting.
- (3) General Meeting of a Cooperative Organization shall be as follows:-
- a) Preliminary General Meeting;
 - b) Annual General Meeting;
 - c) Extraordinary General Meeting.
37. Functions, Duties and Powers of Preliminary General Meeting: Functions, duties and powers of the preliminary General Meeting shall be as follows:-

- a) To get information of actions taken and financial transactions made until the day preceding to the holding of the preliminary General Meeting;
- b) To approve annual program and budget for the current fiscal year;
- c) To approve reports and financial statements;
- d) To elect Committee and Accounts Supervision Committee as specified in the Byelaws;
- e) To adopt internal procedures;
- f) To appoint Auditor and determine his or her remuneration;
- g) To carry out such other functions as referred to in the Byelaws.

38. Functions, Duties and Powers of Annual General Meeting: Functions, duties and powers of the General Meeting shall be as follows:-

- a) To approve annual program and budget;
- b) To approve annual audit report;
- c) To elect and dissolve the Board of Directors and Accounts Supervision Committee;
- d) To remove from the office of a director, convener or member of the Accounts Supervision Committee;
- e) To adopt the annual report of the Board of Directors or of the Accounts Supervision Committee;
- f) To adopt Byelaws and internal procedures;
- g) To appoint Auditor and determine his or her remuneration;
- h) To take a decision as to unification or dissolution of the Organization;
- i) To determine incentive including remuneration;
- j) To accept external liabilities;
- k) To write off liability of a member;
- l) To issue necessary directives to the Board of Directors;
- m) To carry out such other functions as referred to in the Byelaws.

39. Meeting General Meeting: (1) The Board shall call a preliminary General Meeting within three months from the date of registration of the Cooperative Organization.

(2) The Board shall call Annual General Meeting within six months from the completion of each fiscal year.

(3) The Board shall call an Extraordinary General Meeting in any of the following circumstances:-

- a) On the recommendation of the Accounts Supervision Committee pursuant to clause (g) of sub-Section (1) of Section 49;
- b) In case the Board approves the resolution moved by any Director to call extraordinary General Meeting;
- c) In case the Board decides to call an Extraordinary General Meeting for any particular business;
- d) In case fifteen percent of the members submits application to the Board to call an Extraordinary General Meeting showing reasons thereof;
- e) In case Registrar or authority authorized by the Registrar directs pursuant to sub-Section (1) of Section 40;
- f) In case Registrar or authority authorized by the Registrar orders pursuant to sub-Section (2) of Section 42.

40. Directives may be given to call an Extraordinary General Meeting: (1) Registrar or authority authorized by the Registrar may direct the Cooperative Organization to call an Extraordinary General Meeting in case any of the following circumstances is found while carrying out inspection or supervision of any Cooperative Organization or while inquiring into a complaint,:-

- a) In case of commission of any act against values, norms and principles of cooperatives;
- b) In case of commission of any act against this Act, the Rules, Byelaws and internal procedures framed under this Act;
- c) In case serious flaws is identified in the course of inspection or supervision of a Cooperative Bank by the Nepal Rastra Bank;
- d) In case of frequent violation of the directives issued by Registrar or authority authorized by the Registrar;
- e) In case Registrar or authority authorized by the Registrar issues an order pursuant to sub-Section (2) of Section 42.

(2) In case of receipt of the directive to call the General Meeting pursuant to sub-Section (1), the Board shall call the General Meeting within Thirty five days from the date of receipt of the directive and discussions shall be held on the complaint

or the matter identified in the course of inspection and report thereof shall be submitted to the Registrar or authority authorized by the Registrar.

(3) In case the Board fails to call the General Meeting within the period referred to in sub-Section (1) and (2), the authority authorized by the Registrar in case of the organization, District Sectoral Cooperative Association and District Cooperative Association; and the Registrar in case of Provincial Sectoral Cooperative Association, provincial cooperative Association, Specialized Cooperative Association, Central Sectoral Cooperative Association, National Cooperatives Federation and Cooperative Bank, may call such a General Meeting.

(4) The quorum for the General Meeting of a Cooperative Organization shall be at least fifty one percent of the number of the then existed members.

Provided that in case the quorum could not be constituted in the General Meeting called for the first time, the General Meeting shall be called again within seven days and if one third of the members along with majority of the members of the Board of Directors are present in the General Meeting called again, the quorum for the General Meeting shall be deemed to be constituted.

(5) While convening the General Meeting by a Cooperative Organization having two thousand or more members, the General Meeting may be convened on the same agenda in a local body or a ward thereof on the basis of prescribed number by sending the members of the Board of Directors, representatives may be selected to certify the decisions of the General Meeting and the General Meeting may take final decisions in the presence of such representatives.

41. Board of Directors: (1) There shall be a Board of Directors in a Cooperative Organization elected by the General Meeting.

(2) The Board referred to in sub-Section (1) shall, to the extent possible, ensure the presence of least thirty three percent women members.

(3) No more than one person of the same family may become a candidate and be elected at the same tenure as a director and a member of the Accounts Committee.

(4) No director of any Cooperative Organization can become an employee or a director of any other Cooperative Organization, except the Cooperative Organization in which he/she is a director.

Provided that it shall not hinder a Director of a Cooperative Organization having the annual turnover of less than twenty million rupees to work as an employee in the same cooperative Organization In case any Director of a Cooperative Organization having the annual turnover of more than twenty million rupees is also working as an employee, such a Director shall give up the position of employee within four years from the date of commencement of this Act and manage for

another employee. The committee referred to in Section 51 shall specify the maximum ceiling of amount having regard to the existing conditions of market and the rate of inflation.

(5) A person may become a Director of only one Cooperative Organization at a time.

(6) Notwithstanding anything contained in sub-Section (4) and (5), in case any person has become a director in more than one Cooperative Organization or an employee in the same or another Cooperative Organization, he/she shall have to be a director of only one Cooperative Organization or an employee, as the case may be within one year from the commencement of this Act.

(7) The term of the office of the Board shall be as follows:-

(a) Four years in case of Organization or Association or Federation;

(b) Four years in case of Cooperative Bank.

(8) Other provisions relating to meetings of the Board shall be as prescribed.

42. Election of Board: (1) The Board shall have to conduct the election of another Board before the expiry of its term of the office.

(2) In case information is received that the election of the Board is not held pursuant to sub-Section (1), Registrar or authority authorized by the Registrar may order the concerned Board to complete the election within six months from the date of receipt of such information.

(3) In case the Registrar or authority authorized by the Registrar issues the order pursuant to sub-Section (2), the concerned Board shall hold the election within the time stipulated in such an order and inform the Registrar or authority authorized by the Registrar about the same.

(4) In case the election is not held as referred to in sub-Section (3), the Registrar or authority authorized by the Registrar shall carry out entire actions relating to election of the Board having involved representative of the higher association if any of such Organization in which it is a member.

(5) It shall be the duty of the concerned Organization and the Board to render assistance in the election referred to in sub-Section (4).

(6) Entire costs to be incurred in cause of conducting the election referred to in sub-Section (4) shall be borne by the concerned Cooperative Organization.

(7) The Board shall carry out its functions as provided for in the Byelaws, until the next election of the Board is held under this Section.

43. Functions, duties and powers of Board: In addition to the functions, duties and powers referred to elsewhere in this Act, the functions, duties and powers of the Board shall be as follows:-
- a) To operate the Cooperative Organization according to norms, values and principles of Cooperatives;
 - b) To carry out or cause to be carried out financial and administrative functions;
 - c) To call preliminary General Meeting, annual General Meeting, extraordinary General Meeting;
 - d) To implement or cause to be implemented the resolutions of the General Meeting;
 - e) To prepare policies, plans, budget and annual programs of the Cooperative Organization and to submit them to the General Meeting;
 - f) To grant membership of the Cooperative Organization and to remove from membership;
 - g) To carry out functions relating to share transfer and withdrawal;
 - h) To acquire membership of the concerned Association;
 - i) To frame Byelaws and internal procedures and to submit them in the General Meeting;
 - j) To carry out or cause to be carried out necessary functions for promotion of transactions and commercial interests subject to the working areas of the Cooperative Organization;
 - k) To carry out such hold other functions as prescribed.
44. Directors not to continue to hold the office: A Director shall not continue to hold the office in any of the following circumstances:-
- a) In case the resignation tendered by him or her is accepted by the Board;
 - b) In case a decision is taken to remove him or her from the office of Director pursuant to sub-Section (1) of Section 45;
 - c) In case he/she is director of another Cooperative Organization as well;
 - d) In case he/she is an incumbent employee in the same Organization or another organization;
- Provided that in case of the circumstance referred to in proviso to sub-Section (4) of Section 41, it shall be as stated there.

- e) In case he/she is a member of the Accounts Supervision Committee in the same Organization or another organization;
 - f) In case he/she dies.
45. Directors may be removed from Office: (1) General Meeting may by a resolution adopted by its majority remove a director from the office of a director in any of the following circumstances:-
- a) In case he/she incurs loss or damage to the concerned Cooperative Organization by committing fiscal embezzlement;
 - b) In case he/she discloses confidentiality of transaction of the concerned Cooperative Organization in an unauthorized manner;
 - c) In case he/she involves in the same nature of business or transaction with the concerned Cooperative Organization in a competitive manner;
 - d) In case he/she commits any act against the interests of the concerned Cooperative Organization;
 - e) In case he/she is physically or mentally incapable to work;
 - f) In case any director does not have qualifications referred to in this Act, Rules or Byelaws framed under this Act.
- (2) Before adopting a resolution to remove any director is removed from the office, such a director shall be provided with reasonable opportunity to defend himself or herself at the General Meeting.
- (3) In case any director fails to submit his or her defense within the period referred to in sub-Section (2), or in case his or her defense is not satisfactory, the General Meeting may remove him or her from the office thereafter.
- (4) The member removed from the director pursuant to sub-Section (3) shall not be eligible to become a candidate for a period of two terms of the office.
- (5) In case any director is removed from the office pursuant to sub-Section (3), the General Meeting may elect another person as the director for the remaining term of the office.
46. Not to be involved in the decision making process having conflict of personal interests: (1) Director shall be engaged in decision-making process that involves his or her personal interests.
- (2) No Director shall carry out or cause to be carried out any act of Cooperative Organization that renders benefits only to him or her.
- (3) In case any director carries out or cause to carry out any act in contravention of sub-Section (1) or beyond his or her working areas, such a director shall be

personally liable for such act and in case such an act renders loss or damage to Cooperative Organization, to a member or any other person, such loss or damage shall be recovered from him or her.

47. Dissolution of Board: (1) General Meeting may dissolve the Board in any of the following circumstances:-

- a) In case transactions of the Cooperative Organization are at risks due to malafide acts of the Board;
- b) In case of failure to pay the liabilities to be paid by the Cooperative Organization within the specified time;
- c) In case of commission of an act against the objective and business specified in the Byelaws;
- d) In case the Board does not fulfill its responsibilities;
- e) In case of frequent violation of this Act or conditions referred to in Rules or the directives issued by the Registrar or the authority authorized by the Registrar.

(2) In case of dissolution of the Board pursuant to sub-Section (1), the General Meeting shall elect a new Board.

(3) In case the Board does not comply with the directive issued by the Registrar or the authority authorized by the Registrar under this Act or Rules framed under this Act or on the basis of gravity of the subject matter found in the complaint filed or found in the course of inspection according to the report submitted to pursuant to sub-Section (2) of Section 40, the Registrar or office in-charge may give a time of six months for reform and if no reform is taken place even within that period, such a Board shall be dissolved.

(4) In case the Board is dissolved pursuant to sub-Section (3), the Registrar or the authority authorized by the Registrar shall have to form an ad hoc Board as prescribed for holding election of another Board within three month from the date of dissolution so made and to operate the daily transactions of the Cooperative Organization until the election is held.

(5) Entire expenses incurred in cause of holding the next election under this Section shall be borne by the concerned Cooperative Organization.

(6) Notwithstanding anything contained elsewhere in this Section, the Registrar shall obtain consultation from the Nepal Rastra Bank before dissolving Board of a the Cooperative Bank and it shall be done according to the advice of the Nepal Rastra Bank in this regard.

48. Formation of Accounts Supervision Committee: (1) In order to strengthen the internal control system in a Cooperative Organization, the General Meeting shall form through election an Accounts Supervision Committee comprising of one convener and two members having met the prescribed qualifications.
- (2) More than one member of the same family shall not stand as candidate or get elected at the same tenure as a director or convener or member of the Accounts Supervision Committee of the same Cooperative Organization.
49. Functions, duties and powers of Accounts Supervision Committee: The Functions, duties and powers of the Accounts Supervision Committee shall be as follows:-
- a) To conduct or cause to be conducted internal auditing of the Cooperative Organization in every quarter;
 - b) To comply with or cause to be complied with the basic principles of auditing while conducting internal auditing;
 - c) To inspect and evaluate and cause to be inspected or evaluated financial transactions;
 - d) To have regular supervision of the actions and activities of the Board and to provide necessary suggestions to the Board;
 - e) To monitor whether or not directives issued or decisions made by the General Meeting and decision of the Board have been implemented;
 - f) To submit to the General Meeting accounts report and annual report on supervision of the functions of the Board;
 - g) To recommend the Board to call meeting of the extraordinary General Meeting showing the reasons thereof that adverse impact is caused in the interests of any Cooperative Organization due to non-compliance of the recommendations made by it frequently; that there have been embezzlement or massive misuse of cash or kind assets of such organization or in case the organization is likely to undergo serious financial crises.
 - h) To make recommendation of names of three persons to be appointed as internal auditor, if required.
- (2) The convener and members of the Accounts Supervision Committee shall not be involved in daily and administrative functions of the Cooperative Organization.

Chapter-7

Mobilization of Savings and Credits

50. Transaction of Savings and Credits to be made concentrating on Member: (1) A Cooperative Organization may accept savings only from its members, to mobilize such savings and disperse credits only to the members.

(2) Notwithstanding anything contained in sub-Section (1), no sectoral or multi-purpose Organization, other than the Organization Registered with the main objective of making transactions of savings and credit, shall be allowed to make savings and credit transaction as the main transaction.

Provided that in case any sectoral or multi-purpose Organization has been carrying out the main objective of making transactions of savings and credit at the commencement of this Act, such an organization shall, within a period of three years, make provisions of not carrying out the transaction of savings and credits as the main transaction and to have the main transaction of the matter which was stated at the time of registration of the Organization.

(3) Except otherwise specified by the Registrar, service charge and renewal fee on credits disbursed by Cooperative Organization to members shall be as stated in the procedures of the concerned Organization.

(4) The difference of the rate of interests on savings and on credits (spread) shall not be more than six percent.

(5) The interest to be charged on credit disbursed by a Cooperative Organization shall not be charged having capitalized the interest in the main credit amount.

(6) A Cooperative Organization shall not use the savings amount in the purchase of immovable assets, infrastructure construction, investment in transactions, in firms and company or in share of any bank (other than Cooperative Bank) or in any other purpose except in credit investment among members, in the bonds issued by Government of Nepal, Treasury Bills issued by the Nepal Rastra Bank.

(7) A Cooperative Organization may collect deposits as much as fifteen times of the primary capital.

(8) An Organization or Association may not make credit investment to members, other than the members who are listed at the time of registration, until a period of three months is completed after acquiring the membership.

51. Reference Interests Rate may be determined: The Registrar may, on the recommendation of the following committee, determine the reference interests rate, and the upper ceiling of transaction referred to in sub-Section (4) of Section 41, for the purpose of Cooperative Organization in the context of savings and credit:-

(a)	Registrar	-Convener
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(b)	Representative, Ministry	-Member
(c)	Representative, Ministry of Finance	-Member
(d)	Representative, Nepal Rastra Bank	-Member
(e)	Representative, National Cooperative Development Board	-Member
(f)	Chairperson, National Federation of Cooperatives or Director Representative designated by him or her	-Member
(g)	Representative, National Cooperatives Bank	-Member
(h)	Chairperson of Federation or a director designated by him or her and two persons from central Sectoral associations	-Member
(i)	Deputy-Registrar, Department of Cooperative	-Member-Secretary

(2) The reference interests rate determined pursuant to sub-Section (1) shall be the directive interest rate for Cooperative Organization.

(3) The bases and procedures for determination of the reference interest rate shall be as specified in the Byelaws of the concerned Organization.

52. Limit of Personal Saving: The limit of personal deposit of member in an Organization shall be as specified in the Byelaws of the concerned Organization.

Chapter- 8

Provisions concerning Cooperative Bank

53. Capital: (1) Capital of the Cooperative Bank shall be made only of ordinary shares.

(2) The minimum capital of the Cooperative Bank shall be as specified by the Nepal Rastra Bank.

(3) The Cooperative Bank may increase its capital with the prior approval of the Nepal Rastra Bank having adopted a resolution by the General Meeting to that effect.

(4) The Cooperative Bank shall have to increase its capital according to directions given by the Nepal Rastra Bank from time to time.

54. Functions of Cooperative Bank: The Cooperative Bank shall, subject to this Act, the Rules Byelaws and other prevailing laws in force, carry out the following functions amongst the members of the Organization or Association in order:-

- a) To disburse credits to organization or with association on the prescribed ratio as fixed and current capital for the purpose of agriculture, industries, services, trade, energy, tourism as well;
- b) To accept savings from members and to repay such savings;
- c) To enter into agreements with Association or the agencies of Organization or Government of Nepal or Provincial government agencies or local level being concentrated to members for development of development and promotion of cooperatives and to make joint financing;
- d) To issue letter of guarantee on behalf of member Organization or Association, to accept mortgage or movable or immovable assets in lieu of such guarantee or accept assets guarantee with consent of third party;
- e) To borrow institutional credits as may be necessary;
- f) To recover interests on credits, bond and so on;
- g) To carry out inspection, supervision, and monitoring with regard to whether or not the credits disbursed is utilized;
- h) To purchase or sell bonds issued by Government of Nepal or Treasury Bills issued by the Nepal Rastra Bank;
- i) To exchange information among Organization or Association or members associated with them;
- j) To accept deposits, make payments and transfer amount through electronic instruments or devices;
- k) To borrow or re borrow credits time and again as may be necessary;
- l) To invest or use the amount received from internationally recognized Organizations related to cooperatives, donor agencies, banks as development, finance and credits for promotion of projects and to manage such resource;
- m) To carry out or cause to carry out studies, researches, surveys, relating to project establishment, operation and appraisal;

- n) To carry out other banking transactions having obtained a license from the Nepal Rastra Bank.
55. Prohibition on Disbursing Credit: No Cooperative Bank may disburse credit against the collateral or security of its own shares.
56. No Distribution of Dividend: No Cooperative Bank may declare or distribute dividend without meeting the preliminary expenses, loss incurred in the last year, capital fund, risk bearing fund and reserve fund.
57. Prohibition of Purchase of Goods with Commercial Objectives: A Cooperative Bank shall not purchase goods or immovable assets with the purpose of carrying out trade or business, except the goods or immovable assets required for it or for carrying out transactions under this Act and in the situation referred to in sub-Section (6) of Section 79.
58. Books and Accounts: (1) A Cooperative Bank shall have to maintain books and accounts according to the format approved by the Nepal Rastra Bank showing the actual status of its transactions.
- (2) The books and accounts referred to in sub-Section (1) shall contain actual status of the Cooperative Bank, investment it has made, credits disbursed and recovered and borrowed and other financial statement, detail statement of income and expenditures and statement of assets and liabilities.
59. Nepal Rastra Bank may take over Management: (1) the Nepal Rastra Bank may, in any of the following circumstances, by furnishing information to the Department, suspend the Board of Directors of the Cooperative Bank and take over the management on its own or cause other agency to be taken it over:-
- a) In case it is found from auditing report of the Cooperative Bank or inspection report of the bank that it fails to comply with the directives issued by the Nepal Rastra Bank from time to time;
 - b) In case it commits any act against interests of members and incurs loss to members;
 - c) In case operation of Cooperative Bank is not efficient and effective thereby loss is caused to the Cooperative Bank.
- (2) Before the Board of the Cooperative Bank is to be suspended pursuant to sub-Section (1), the Cooperative Bank shall be provided with an opportunity of seven days to defend itself.
- (3) Upon an opportunity to defend is given pursuant to sub-Section (2), in case the Cooperative Bank fails to submit the defense or the defense so submitted does not seem to be satisfactory, the Nepal Rastra Bank shall suspend the Board

of the concerned bank and take the management on its own or causes the management to be taken over by any other agency.

(4) Notwithstanding anything contained elsewhere in this Section, while taking over the management by the Nepal Rastra Bank on its own or by any other agency, a representative of the Department shall also be involved.

60. De-registration: (1) In case the Cooperative Bank seems incapable to pay the debt or external liability due to be paid, the Nepal Rastra Bank may advise the Registrar to de registration of the Cooperative Bank.

(2) Before giving the advice referred to in sub-Section (1), the Nepal Rastra Bank shall have to provide such a Cooperative Bank an opportunity of 15 days to defend itself.

(3) In case of receipt of advice to revoke the registration pursuant to sub-Section (1), the Registrar shall de Registrar the Cooperative Bank and appoint liquidator pursuant to Section 89.

61. Confidentiality to be maintained: (1) Confidentiality of books and account relating to transactions and statement and documents of financial transactions of the cooperative bank shall be maintained.

(2) Notwithstanding anything contained in sub-Section (1), there shall be no hindrance to provide the books and accounts and statements of financial transactions for any of the following purposes:-

- a) To court in the course of hearing of a case or any other legal proceedings;
- b) To auditor in the course of auditing of accounts;
- c) To the concerned official in the course of inspection;
- d) To the person or authority having authority to ask for the details according to the prevailing laws;
- e) To its own members.

62. Liquid Assets to be maintained: A Cooperative bank shall have to maintain liquid assets as specified by the Nepal Rastra Bank.

Chapter-9

Mobilization of Financial resources

63. Provisions concerning sale and withdrawal of shares: (1) A Cooperative Organization may sell shares to its members.

(2) Notwithstanding anything contained in sub-Section (1), no Cooperative Organization shall sell the shares that are more than twenty percent of its total share capital to a single member.

Provided that this restriction shall not be applicable to an organization or body under the full or partial ownership of the Government of Nepal.

(3) Notwithstanding anything contained in sub-Section (1), Cooperative Organization may sell shares to an organization or agency under the full or partial ownership or control of the Government of Nepal, in addition to its share members.

(4) The face value of per share of a Cooperative Organization shall be one hundred rupees.

(5) The share capital of a Cooperative Organization shall be as stated in the Byelaws.

(6) No Cooperative Organization shall be allowed to sell or purchase shares in open market.

(7) Share of a member, which is the principle capital of a Cooperative Organization, shall not be sold by auction for any debt or liability other than the debt or liability of the same Cooperative Bank.

64. Provisions concerning Withdrawal of Amount and Operation of Accounts: (1) In case any member desires to get back the money withdrawing from the membership of Cooperative Organization, his or her liabilities, if any, has to be paid and his or her remaining amount shall be refunded within three months of the date of such payment of liabilities.

(2) In case any member demands to withdraw the savings he/she has deposited in a Cooperative Organization, his or her liabilities, if any, is deducted and the remaining amount shall be refunded to him or her.

(3) A Cooperative Organization may operate all types of savings accounts.

65. Loans or Grants may be obtained: (1) A Cooperative Organization may borrow loan or accept grant from any native or foreign bank or institution or from any other agency or work in collaboration.

(2) Notwithstanding anything contained in sub-Section (1), before availing loan or grant from a foreign bank or agency, approval of the Ministry of Finance shall be obtained on the recommendation of the Ministry.

66. Security of Government of Nepal may be obtained: (1) In case a Cooperative Organization requires security against a loan to be borrowed from a foreign bank or agency, it may for that purpose, request the Ministry of Finance through the Ministry.

(2) In case of receipt of a request pursuant to sub-Section (1), the Ministry of Finance may provide a security for such loan.

(3) While providing a security pursuant to sub-Section (2), the Ministry of Finance may prescribe necessary conditions.

Chapter – 10

Fund of Cooperative Organization

67. Find of a Cooperative Organization: (1) The following amount shall be deposited in the fund of a Cooperative Organization :-

- a) Amount received from sale of shares;
- b) Amount received as savings;
- c) Amount received as loan;
- d) Amount of grant received from Government of Nepal;
- e) Grant or assistance received from a foreign government or an international organization;
- f) Amount accrued from commercial activities;
- g) Membership entry fee.

(2) Approval of the Ministry of Finance shall be obtained before obtaining the amount referred to in clause (e) of sub-Section (1).

68. Reserve Fund: (1) There shall be a reserve fund in a Cooperative Organization.

(2) The fund referred to in sub-Section (1) shall have the following amount:-

- a) At least twenty five percent of the net savings of a fiscal year;
- b) Capital grant amount provided by any organization, association or agency;
- c) Amount received from the fixed assets;
- d) Amount received from any other sources.

(3) The Amount of the fund referred to in sub-Section (1) shall be indivisible.

69. Secured Capital Redemption Fund: (1) There shall be a secured capital redemption repayment fund in a Cooperative Organization.

(2) At least twenty five percent of the amount remaining after segregating the amount referred to in clause (a) of sub-Section (2) of Section 68 in the reserve fund shall annually be deposited in the fund referred to in sub-Section (1).

(3) The amount referred to in sub-Section (1) shall be made available to the concerned member based on the annual turnover of the member as prescribed.

70. Cooperative Promotion Fund: (1) There shall be Cooperative Promotion Fund in a Cooperative Organization.

(2) For the promotion of cooperative enterprises, zero point two five percent of the amount allocating after segregating the amount referred to in clause (a) of sub-Section (2) of Section 68 in the reserve fund shall annually be deposited in the fund referred to in sub-Section (1).

(3) The fund referred to in sub-Section (1) shall be at the Ministry of Cooperatives and Poverty Alleviation.

(4) Operating procedures of the Fund shall be as prescribed.

(5) The Ministry may make available the amount as prescribed in proportion to the amount deposited in the fund referred to in sub-Section (1).

(6) Amount shall be made available as prescribed from the fund referred to in sub-Section (1) to the National Federation of Cooperatives; the concerned Central Sectoral Cooperatives Association; Provincial Sectoral Cooperatives Association; Provincial Cooperatives Association; District Sectoral Cooperatives Association and District Cooperatives Association.

(7) For the purpose of distribution of the amount deposited in the Fund referred to in sub-Section (1), there shall be a committee under the convenorship of the Minister of the concerned Ministry and comprising of the co-chair of the National Cooperatives Development Board, Secretary of the Ministry, Joint Secretary of the Ministry of Finance, chair of the National Cooperatives Federation, Chair of the Central Credits and Savings Association and the Registrar as the members.

(8) Out of the amount received pursuant to sub-Section (6), at least Seventy five percent of the amount shall be expended in infrastructure of cooperative business and the remaining amount shall be expended in activities such as promotion of enterprises, education, information and trainings, market promotion, monitoring of Organization and Association.

(9) The concerned Association shall separately maintain record of the amount received pursuant to sub-Section (6) and get it audited according to the prevailing laws and statement thereof shall be made public as prescribed.

(10) Details as to the expenses incurred and achievements made from the amount received pursuant to sub-Section (6) shall be submitted to the National Cooperatives Development Board.

(11) In case the amount received pursuant to sub-Section (6) is found to have mis-used or used in other activity, the Registrar or the authority authorized by the Registrar shall recover such amount and prohibit making the amount of the fund available.

71. Provisions concerning Other Fund: (1) There may be other funds in a Cooperative Organization, in addition to the fund referred to in sections 67, 68, 69 and 70.

(2) The amount in the fund referred to in sub-Section (1) may be utilized as stated in the Byelaws of the fund to achieve the objectives of the fund including distribution of dividend.

Provided that the amount of share dividend of one year shall not be more than eighteen percent of the share capital.

(3) Based on the total assets and liability of other transactions of the Cooperative Bank, the bank shall have other funds too as specified by the Nepal Rastra Bank.

Chapter- 11

Records and Information

72. Records to be maintained: (1) A Cooperative Organization shall have to securely maintain updated records of minutes of General Meeting, Board, Accounts Supervision Committee and of functions carried out by them.

(2) A Cooperative Organization shall have to maintain records of accounts of all carried business out by it and other necessary records as prescribed.

73. Details to be made available: (1) A Cooperative Organization shall make available within the prescribed time a Report every year along with the following details to the Registrar or the authority authorized by the Registrar:-

- a) Quarterly of transaction and annual reports and auditing report;
- b) Annual programs, policies and plans;
- c) Policies and plans relating to net savings;
- d) Name of directors and list of remaining term of office;
- e) Information relating to holding of General Meeting;
- f) Number of shareholder members and share capital;
- g) Amount of credit borrowed by director or member and due to be repaid;
- h) Other details as specified by the Registrar or the authority authorized by the Registrar.

(2) The Cooperative Bank shall submit the report referred to in sub-Section (1) to the Nepal Rastra Bank as well within the prescribed time.

Chapter – 12

Accounts and Auditing

74. Accounts of Transactions: The account of transactions of a Cooperative Organization shall be based on double entry book keeping system and it shall be maintained according to the accounting standards submitted by the body authorized by the prevailing laws and other terms and conditions to be complied with this Act showing the actual status of all transactions.
75. Auditing: (1) A Cooperative Organization shall get its accounts of each fiscal year audited within three months from the expiry of the fiscal year by an auditor licensed according to the prevailing laws.
- (2) In case any Cooperative Organization is found not to have audited within the period referred to in sub-Section (1), the Registrar or the authority authorized by the Registrar may cause the auditing of such Cooperative Organization by a licensed auditor.
- (3) The amount including remuneration to be paid to the auditor shall be borne by the concerned Cooperative Organization.
- (4) The audit report of the auditing conducted pursuant to sub-Section (1) or (2) shall be submitted to the General Meeting for approval.
- (5) In case the auditing report submitted to in the General Meeting pursuant to sub-Section (4) could not be approved by the General Meeting, the General Meeting may appoint another auditor subject to Section 76.
- (6) The Cooperative Bank shall submit the auditing report to the Nepal Rastra Bank as well after completion of the auditing.
76. Appointment of an Auditor: (1) The General Meeting shall appoint one auditor from amongst the auditors licensed according to the prevailing laws for carrying out auditing of a Cooperative Organization.
- (2) The remuneration and facilities of the auditor appointed pursuant to sub-Section (1) shall be as determined by the General Meeting.
- (3) While appointing the auditor pursuant to sub-Section (1), the same person, firm or company shall not be appointed for more than a consecutive period of three years.

77. Ineligibility for Appointing Auditor: None of the following persons shall be appointed, or retained in if appointed, as an auditor:-

- a) Director of a Cooperative Organization;
- b) Member of the concerned Cooperative Organization;
- c) An advisor or employee being appointed with regular payment of remuneration from the Cooperative Organization;
- d) One who has not completed a period of three years after having been convicted of an offence relating to auditing;
- e) One who has not been declared bankrupt;
- f) One who has not completed a period of five years after having been convicted of the offence of corruption, cheating, or any other offence involving moral turpitude;
- g) A Persons, firm or company referred to in sub-Section (3) of Section 76;
- h) A person having conflict of interests with the concerned Organization or Association.

(2) The auditor shall inform in writing the Cooperative Organization stating that he/she is not ineligible pursuant to sub-Section (1) before getting appointed.

(3) In case any auditor is rendered ineligible to audit the account of any Cooperative Organization before expiry of his or her term of office is over or there arises a situation due to which he/she could not continue to remain as the auditor, he/she shall forthwith stop the works he/she is carrying on and information of the same shall be furnished to the Cooperative Organization in writing.

(4) The audit carried out by the auditor appointed in contravention of this Section shall not be valid.

Chapter – 13

Exemptions, Facilities and Discounts

78. Exemption, Facilities and Discounts: (1) Notwithstanding anything contained in the prevailing Nepal laws, a Cooperative Organization shall be entitled to the following exemption, facilities and discounts:-

- a) No Cooperative Organization shall be required to Registrar any deed other than the deed relating to immovable assets;

- b) No income stamp ticket fees or registration fee shall be charged to the Cooperative Organization while it procures necessary land or other immovable assets for its office building or service center construction;

Provided that –

- 1) Income stamp fee and registration fee shall be charged according to the prevailing laws while procuring other immovable assets including land for commercial purpose.
- 2) In case the immovable assets including land procured with the registration fees exemption is not used and is sold, the registration fee so exempted shall be repaid.

- c) No fee shall be charged while a Cooperative Organization lends credits or while endorsing the deed of pledge.

(2) Notwithstanding anything contained in the prevailing laws, no income tax shall be levied on the amount allocated for the reserve fund pursuant to clause (a) of sub-Section (2) of Section 68 by a Cooperative Organization, the amount deposited in the secured capital redemption fund pursuant to sub-Section (2) of Section 69 and the amount deposited in the cooperatives promotion fund pursuant to sub-Section (2) of Section 70.

Provided that it shall be according to laws on the tax liabilities of members who receives amount from the secured capital redemption fund.

(3) Government of Nepal may, by a notification in the Nepal gazette, grant exemption according to the prevailing laws on the custom duty or value added tax levied on machinery, industrial and agricultural inputs, equipment, spare parts, raw materials and means of transport to be imported by a Cooperative Organization for its purpose.

(4) Government of Nepal may, having published a notification in the Nepal gazette, grant whole or partial exemption according to the prevailing laws on the excise duty or value added tax levied on goods produced by a Cooperative Organization for its purpose.

(5) Government of Nepal may, having published a notification in the Nepal gazette, grant exemption according to the prevailing laws on the export tax on the goods produced by a Cooperative Organization and may provide a cash grant of export as that being given to an industry according to the prevailing laws.

(6) In addition to the exemptions referred to in this Section, the Cooperative Organization carrying out industrial enterprises shall be provided with the exemption, facilities and protection according to the prevailing laws which an industry

is being provided with and the Cooperative Organization carrying out construction and operation of infrastructure structures, or carrying out special industries, enterprises, or services shall be provided with those facilities as are being provided to such industry, enterprise and service.

(7) Government of Nepal, Provincial Government or Local Level may grant partial or full exemption in any type of tax to be imposed according to the prevailing law or make available special financial facilities or technical support, for promotion of cooperative farming by deprived rural women, persons with disability, freed *kamaiyas*, freed *haliyas*, landless farmers, unemployed laborers, *dalits* and minority communities of marginalized groups or self-employment enterprises based on labor or skills of members.

(8) In case laborers desires to bring into cooperative any sick public or private industry and to operate it again on their ownership, Government of Nepal may, considering the nature of the industry, provide grant for seed capital, loan or transfer of the ownership with discounted loan or provide tax exemption in transfer of private ownership, or provide guarantee or other appropriate assistance.

(9) Government of Nepal may, by a notification in the Nepal gazette, provide the facilities of whole or partial exemption of the excise duty or value added tax to be levied on the share participation, infrastructure development, land or land acquisition, payment of compensation for land acquired and production of goods by large scale commercial projects of cooperative industrial village, marketplace development and so on which operate in special federal form.

(10) The procedures as to acquisition of exemption, facilities and discounts under this Section shall be as prescribed.

Chapter-14

Recovery of Debt and Due Amount

79. Debts to be recovered: (1) In case any members of a Cooperative Organization fails to comply with the loan agreement or any terms or condition or bond thereof; does not repay the principal, interests and penal interests within the time stated in the deed; or the amount of loan is not used in the current scheme for which it was availed and found embezzled ; the concerned Cooperative Organization may recover its principal, interests and penal interests having sold by auction the collateral security mortgaged by such a member while availing the loan or by any other means.

(2) In case a member who has mortgaged a collateral in a Cooperative Organization transfers the title of such a collateral to anyone in any manner or the value of such

a collateral decreases for any reason, such borrower may be asked for additional a collateral having given a certain time frame.

(3) In case the borrower does not submit additional collateral pursuant to sub-Section (2) or the principal, interests and penal interests could not be recovered even from the collateral security mortgaged pursuant to sub-Section (1) or (2), the principal, interests and penal interests may be recovered from other assets belonging to such a borrower.

(4) The amount remaining after recovery of the principal, interests and penal interests or the expenses incurred while making the recovery of the principal, interests and penal interests shall be refunded to the concerned borrower.

(5) While selling by auction of collateral security or any other assets of a borrower by a Cooperative Organization under this Section, it shall write to the concerned Land Revenue Office to transfer the title of such collateral security, by registration or writing off the name of the earlier owner, in the name of the person accepting the auction according to the prevailing law and the concerned Office shall also have to carry out registration or the writing off the title and inform the same to the concerned Cooperative Organization.

(6) In case the assets of collateral mortgaged in auction under this Section is not accepted by anyone, the concerned Cooperative Organization may itself accept such assets.

(7) In case the Cooperative Organization itself accepts the collateral pursuant to sub-Section (6), it shall write to the concerned Land Revenue Office to transfer the title of such a collateral by registration or writing off the name of the earlier owner and the concerned Office shall also have to carry out the registration or the writing off accordingly.

(8) Other matters as to the recovery of credits shall be as prescribed.

80. Provisions concerning Black List: (1) A blacklist along with name and other details of the person misusing the credit amount availed from a Cooperative Organization or not paying the principal and interests within the specified time may be publicized.

(2) Other provisions concerning publication of the blacklist shall be as prescribed.

81. Credit Information Center: (1) the Ministry shall, in order to maintain purity in credit flow of a Cooperative Organization and to receive information relating to credit flow, establish a Credit Information Center in collaboration with stakeholders.

(2) Other matters as to the Credit Information Center shall be as prescribed.

82. Credits Recovery Tribunal: (1) There shall be a Credits Recovery Tribunal for the cooperatives sector.
- (2) Provisions as to formation and operation of the Debt Recovery Tribunal shall be as prescribed.
83. Dues to be recovered: In case anyone fails to pay an amount to be repaid to a Co-operative Organization, the Cooperative Organization may recover such amount and interests accrued thereon from personal property of such person.
84. To be sent for freezing: (1) A Cooperative Organization may, for the purpose of sections 79 and 83, write to the concerned agency to freeze accounts, to suspend sale or transfer of title of assets of any person.
- (2) In case of receipt of request for freezing pursuant to sub-Section (1), the concerned agency shall freeze accounts, to suspend sale or transfer of title of assets of any person according to the laws.
85. Preference to be accorded: In case anyone fails to pay credit or any other liability and in case Government of Nepal has any claim on the assets of such a person, amount shall be segregated for such government claim and there shall be preference of the Cooperative Organization in the remaining amount.
86. No hindrance to take actions: There shall be no hindrance to take actions under this Act or the prevailing laws for any offence for the reason that any Cooperative Organization has taken any legal actions against such person or Cooperative Organization with regard to recovery of credits.

Chapter- 15

Amalgamation, Dissolution and Revocation of Registration

87. Provisions concerning Amalgamation and Division: (1) Subject to this Act, two or more Cooperative Organizations may amalgamate to each other or a Cooperative Organization may be divided into two or more Cooperative Organizations based on geographical business areas.
- (2) While carrying out amalgamation or division pursuant to sub-Section (1), a decision shall be taken from majority of the total number of members of the concerned Cooperative Organization.
- (3) While taking a decision of amalgamation or division pursuant to sub-Section (1), the terms and conditions of amalgamation or division shall also be stated.
- (4) Other provisions relating to amalgamation or division shall be as prescribed.

88. Dissolution and Revocation of Registration: (1) The Board may, in regard to any Cooperative Organization having taken a decision to dissolve such a Cooperative Organization by majority of the then prevailing members of the General Meeting submit to the Registrar or the authority authorized by the Registrar for approval of the dissolution in the following circumstances:-

(a) In case it is not possible to attain the objectives and functions stated in the Byelaws;

(b) In case it does not serve the interests of the members.

(2) In case it seems appropriate to dissolve the Cooperative Organization while inquiring into the application submitted pursuant to sub-Section (1), the Registrar or the authority authorized by the Registrar may revoke the registration of such a Cooperative Organization.

(3) Notwithstanding anything contained in sub-Section (2), the Registrar or the authority authorized by the Registrar may revoke registration of a Cooperative Organization in the following circumstances:-

(a) In case it is inactive for a consecutive period of two years without any transaction;

(b) In case any Cooperative Organization frequently commits any act in violation of this Act or Rules framed under this Act;

(c) In case it commits any act against its objectives referred to in the Byelaws;

(d) In case it commits act against values, norms and principles of co-operatives.

(4) Before revoking the registration pursuant to sub-Section (2) or (3), the Registrar or the authorized by the Registrar shall provide a time of fifteen days to such a Cooperative Organization for hearing.

(5) In case of revocation of registration of a Cooperative Organization pursuant to sub-Section (2) or (3), such Cooperative Organization shall be deemed to have been dissolved.

(6) Notwithstanding anything contained sub-Section (2) or (3), the Registrar shall have to obtain approval of the Ministry before revoking registration of the Cooperative Organization which has obtained a grant amount exceeding the ceiling specified by Government of Nepal and of the Nepal Rastra Bank before revoking the registration of the Cooperative Bank.

(7) In case of revocation of registration of a Cooperative Organization pursuant to sub-Section (2) or (3), a registration certificate of such a Cooperative Organization, Cooperative Association or Cooperative Bank shall be deemed to have been, *ipso facto* be void.

(8) Nothing stated in this Section shall be deemed to have prejudiced the provisions relating to deregistration of the Cooperative Bank.

89. Appointment of a Liquidator: (1) In case of revocation of a Cooperative Organization pursuant to Section 88, the Registrar or the authority authorized by the Registrar shall appoint a liquidator.

(2) Notwithstanding anything contained sub-Section (1), the Registrar may appoint the authority authorized by the Registrar or an employee as liquidator in case of a Cooperative Organization having the assets of prescribed ceiling.

90. Provisions concerning Liquidation: (1) The functions, duties and powers and remuneration of the liquidator of the Cooperative Organization the registration of which has been revoked under this Act and other provisions as to liquidation shall be as prescribed.

(2) In case of appointment of liquidator pursuant to sub-Section (2) of Section 89, entire expenses of the liquidator shall be borne by Government of Nepal.

91. Utilization of Assets after Liquidation: The utilization of assets of any Cooperative Organization remaining after payment of all liabilities upon the liquidation shall be as prescribed.

Chapter- 16

Registrar

92. Registrar: The Ministry shall designate an officer working in the capacity of a first class officer or equivalent rank of the Civil Service as the Registrar of the Department.

93. Functions, duties and powers: In addition to the functions, duties and powers referred to elsewhere in this Act, other functions, duties and powers of the Registrar shall be as prescribed.

94. Delegation of Authority: The Registrar may delegate some of the authorities vested in him or her under this Act or Rules framed under this Act to any officer subordinate to him or her as may be necessary.

Chapter – 17

Inspection and Monitoring

95. Inspection and Checking of Accounts: (1) The Registrar or the authority authorized by the Registrar may at any time inspect or cause to be inspected a Cooperative Organization and check or cause to be checked its accounts.
- (2) The Nepal Rastra Bank may at anytime inspect or check or cause to be inspected or checked accounts financial transaction of a Cooperative Bank or of a Cooperative Organization which carries out financial transaction of an amount or exceeding a ceiling.
- (3) For purpose of sub-Section (2), the Nepal Rastra Bank may conduct inspection or supervision having deputed any officer or expert and asking for necessary information and statements from the Cooperative Bank.
- (4) While inspecting or checking accounts pursuant to sub-Section (1) or (2), the concerned Cooperative Organization shall make available the information or statement required by the Nepal Rastra Bank, the Registrar or the authority authorized by the Registrar.
- (5) While inspecting or checking accounts pursuant to sub-Section (1) or (2), in case it is found that functioning of any Cooperative Organization is not consistent with this Act, Rules, Directives, Standards, or procedures framed under this Act, the Nepal Rastra Bank or the Registrar or the authority authorized by the Registrar may give necessary directives to the concerned Cooperative Organization and it shall be the duty of the concerned Cooperative Organization to comply with such directives.
- (6) While carrying out inspection and supervision of the Cooperative Bank under this Section, the Nepal Rastra Bank may exercise its power under the prevailing laws.
- (7) The Nepal Rastra Bank shall make available to the Department the information received upon inspection and supervision of the Cooperative Bank.
- (8) The Cooperative Bank shall submit to the Nepal Rastra Bank the financial statements and other necessary statistics within the time and in the format as specified by the Nepal Rastra Bank.
96. Investigation may be conducted: (1) In case at least five percent members of a Cooperative Organization submit an application stating that the commercial transaction of the Cooperative Organization is not satisfactory, act is committed against interests of a member or against the objectives of the Cooperative Organization, the Registrar or the authority authorized by the Registrar may conduct or cause to be conducted an investigation of the Cooperative Organization.

- (2) It shall be the duty of the concerned Board to make available statement or documents while conducting inspection pursuant to sub-Section (1).
- (3) Information of the investigation conducted pursuant to sub-Section (1) or (2) shall be made available to the concerned Cooperative Organization in writing.
97. Special Provisions concerning Inspection and Monitoring of Organization or Association carrying out transactions of savings and credits: (1) The Organization or Association having savings and credits as the main transaction shall follow the monitoring system as prescribed.
- (2) The Registrar or the authority authorized by the Registrar shall carry out inspection and monitoring of Organization or Association having savings and credits as the main transaction based on the prescribed monitoring system.
- (3) While carrying out inspection and monitoring of Organization or Association pursuant to sub-Section (2), Registrar or the authority authorized by the Registrar may obtain assistance of the Nepal Rastra Bank and other agencies.
- (4) Other matters as to inspection and monitoring of Organization or Association having savings and credits as the main transaction shall be as prescribed.
98. Ministry to conduct Inspection and Monitoring: (1) The Ministry may, in case it comes to know from any source that adverse effect is caused on the interests of members because of non-inspection of any Cooperative Organization by the Registrar or the authority authorized by the Registrar or because of inspection was ineffective, carry out inspection and supervision of such a Cooperative Organization and issue necessary directives to the concerned Cooperative Organization.
- (2) In case any directive referred to in sub-Section (1) is issued, it shall be the duty of the concerned Cooperative Organization to comply with such directive.
99. Association to conduct Inspection and Monitoring: (1) The Association shall carry out inspection and monitoring of its members as prescribed and report thereof shall be given to the Department and office.
- (2) The report referred to in sub-Section (1) shall contain the following particulars:-
- a) Details of the Organization or Association having the inspection and supervision carried out;
 - b) Status of compliance of this Act, or Rules and Byelaws framed under this Act in the Organization or Association;
 - c) Condition of services and benefits being received by members;
 - d) Level of participation of members;

- e) Economic and financial condition of the Organization or Association and mobilization of fund;
- f) Other matters as prescribed.

(3) The Association may, while conducting monitoring under subsection 2, if it finds any defaults in regard to activities of any organization or association, give suggestion or issue direction to correct such defaults, and it shall be the duty of the Association or Organization, as the case may be, to comply with such suggestions or directing.

(4) If the suggestions or directives given or issued under section (3), are not complied with a (4), recommendation shall be made to the Registrar or the authority authorized by the Registrar for the actions.

(5) Matters concerning suggestions or directives given or issued pursuant to subsection (3), shall also be mentioned in the annual report of the Association.

100. Annual Report to be submitted: (1) The Registrar shall, within three months from the date of completion of a fiscal year, submit to the Ministry annual report relating to inspection of Cooperative Organizations and submit the inspection report relating to Cooperative Bank to the Nepal Rastra Bank as well.

(2) The office shall, within one month from the date of completion of a fiscal year, submit to the Registrar the annual report of Organization or Association within its business area.

(3) The report referred to in sub-Sections (1) and (2) shall include the following particulars:-

- a) Details of Cooperative Organizations in operation;
- b) Number of the Cooperative Organizations monitored and details of financial transactions;
- c) Status of compliance of cooperatives principle and of this Act and the Rules, Byelaws and internal procedures framed under this Act in the Cooperative Organizations;
- d) Condition of services and benefits being received by the members of the Cooperative Organizations;
- e) Participation ratio level of members in activities of the Cooperative Organizations;
- f) Details on the economic activities and financial condition of the Cooperative Organizations as prescribed;
- g) Condition of internal control in the Cooperative Organizations;

- h) Condition of good governance and accountability in Cooperative Organizations;
 - i) Details of funds in the Cooperative Organizations;
 - j) Necessary matters to be helpful in policy making of cooperatives;
 - k) Details as to registration, liquidation and dissolution of the cooperative organization;
 - l) Details of transactions made, and businesses, industries or projects run by Organization or Association pursuant to Section 21;
 - m) Other details as prescribed.
101. Cooperative Savings and Credits Security Fund: (1) Notwithstanding anything contained in the prevailing Nepal laws, Government of Nepal may establish a Cooperative Savings and Credits Security Fund for guarantee of savings to be mobilized to be provided credits by Provincial government and local level in collaboration with cooperative organizations.
- (2) Matters relating to operation of Cooperative Savings and Credits Guarantee Fund shall be as prescribed.
102. Mutual Security Services may be conducted: (1) Notwithstanding anything contained in the prevailing Nepal laws, Organization may, subject to the conditions to the policy approved by the Beema Samiti (Insurance Board), operate mutual Security services of pre-determined maximum limit and fees to meet certain portion of loss incurred to crops and livestock of its members according to relevant policies.
- (2) Provisions relating to minimum standards required for the Organization to operate mutual security services and other arrangement relating thereto shall be as prescribed.
103. Stabilization Fund: (1) Savings and Credits Sectoral Organizations may together desirous a stabilization fund to protect themselves from the probable risks of their operational losses.
- (2) The fund referred to in sub-Section (1) may have the contribution of desirous Cooperative Organizations, Cooperative Organizations which are members of Savings and Credits Sectoral Central Organization, National Cooperatives Federation, National Cooperatives Bank, National Cooperatives Development Board, Nepal Rastra Bank, Ministry, other agencies of Government of Nepal and international cooperative associations.
- (3) The Stabilization Fund shall be located at Savings and Credits Sectoral Central Organization.

4) For operation of the Stabilization Fund, there shall be a Governing Board comprising of representatives from the Savings and Credits Sectoral Central Organization, National Cooperatives Bank, National Cooperatives Federation, National Cooperatives Development Board, Nepal Rastra Bank, Ministry, Ministry of Finance and Department.

(5) the participating organizations may deposit the amount prescribed after allocating amount for the Reserve Fund pursuant to Section 68 In the Stabilization Fund.

(6) Amount of the Stabilization Fund shall be deposited in an account opened in the prescribed Bank.

(7) The Stabilization Fund may be utilized for the following purposes:-

- a) To maintain liquidity in the participating Organizations and to land to maintenance problematic cooperatives;
- b) To bear the expenses of the Management Committee formed pursuant to Section 105 when a participating Organization becomes a problematic;
- c) In case a participating Organization becomes a problematic and the Federation has taken over its operational responsibility pursuant to clause (d) of Section 114, to utilize in bearing liabilities of such an Organization and to re-operate it;
- d) To bear the expenses of the Stabilization Fund Governing board and to utilize in other functions as prescribed.

(8) Other matters relating to operation of the Stabilization Fund shall be as prescribed.

Chapter -18

Problematic Organizations or Associations

104. Organization or Association may be declared an problematic: (1) In case any Organization or Association is found to have the following circumstance from the inspection or checking of accounts conducted under this Act, the Registrar may recommend the Ministry to declare such Organization or Association as problematic Organization or Association:-

- a) Commission of any act against interests of the members;

- b) Failure to fulfill the financial liabilities to be fulfilled by the Organization or Association or inability to bear the liabilities to be borne or occurrence of a situation of inability to make payment;
- c) Failure to refund the savings of members according to the agreed terms and conditions;
- d) Operation of the Organization or Association against this Act or the Rules and Byelaws framed under this Act;
- e) Emergence of a situation of probable insolvency of the Organization or Association or facing significantly serious financial crisis;
- f) In case at least twenty five members of an Organization or Association submitted an application to the Registrar stating that the Organization or Association did not refund the savings amount of members within the time set to refund and it has been found from investigation that any of the circumstance situations referred to in clauses (a) to (e) has seen occurred.

(2) In case the recommendation referred to in sub-Section (1) is received, the Ministry may declare such an Organization or Association as problematic Organization or Association;

(3) Notwithstanding anything contained elsewhere in this Section, in case a Commission formed by Government of Nepal according to the prevailing laws recommends to declare any Organization or Association as problematic Organization or Association or if such a Commission has declared any Organization or Association as a problematic or based on the number of complaints filed in such a Commission and on rationality, the Ministry may declare such a Organization or Association as a problematic Organization or Association.

105. Formation of Management Committee: (1) In case any Organization or Association has been declared as the problematic Organization or Association under this Act, Government of Nepal may form a Management Committee to manage the assets and pay the liabilities of such Organization or Association.

(2) The Management Committee referred to in sub-Section (1) shall comprise the following members:-

(a)	A person appointed by Government of Nepal from amongst persons who have already become a judge	-Chairperson
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	of the High Court or worked in the equivalent position and has served as a special class officer of the Nepal Judicial Service	
(b)	A person nominated by Government of Nepal from amongst persons who have already served as at least the first class officer of the Nepal Civil Service	-Member
(c)	One Director representative designated by the National Cooperatives Association	-Member
(d)	Two persons nominated by Government of Nepal from amongst cooperatives experts	-Member
(e)	A person nominated by Government of Nepal from amongst persons who have worked for at least a period of three years in at least ninth level of a bank or financial institution or in the supervision sector of banks or financial institutions upon being a Chartered Accountant	-Member
(f)	An Officer of Gazetted Second Class level designated by Government of Nepal,	-Member-Secretary

(3) The term of the office of the chairperson and members of the Management Committee shall be of two years from the date of appointment and Government of Nepal may extend the term of office not exceeding another two years.

(4) Notwithstanding anything contained in sub-Section (3), in case work performance of the chairperson and a member of the Management Committee is not satisfactory, Government of Nepal may remove him or her from the office at any time.

(5) Before removing the chairperson or a member of the Management Committee pursuant to sub-Section (3), a reasonable opportunity shall be given to him or her to defend himself or herself.

(6) Government of Nepal shall fulfill the office of the Management Committee that has fallen vacant pursuant to sub-Section (4) subject to sub-Section (2).

(7) Procedures of meeting of the Management Committee shall be as determined by the Committee on its own.

106. Functions, duties and powers of Management Committee: The Functions, duties and powers of the Management Committee shall be as follows:

- a) To exercise all powers which the General Meeting, Board and Accounts Supervision Committee of the problematic Organization or Association may exercise under this Act, or Rules and Byelaws framed under this Act;
- b) To get presence in the Management Committee of the members of the problematic Organization or Association, his or her family members, relatives, employees of the problematic Organization or Association, other Organization or Association or companies associated with the problematic Organization or Association, employees of such companies, other persons or organizations having relevant information or having transactions in collusion or the persons which the Management Committee deems appropriate, to inquire with them, record their statements require to submit relevant documents;
- c) To collect accurate information of assets and liabilities of the problematic Organization or Association and to collect, study, analyze and evaluate the statistics relating to them;
- d) To take custody of assets of the problematic Organization or Association;
- e) To take into control of complete management including decisions and records of functioning of the problematic Organization or Association;
- f) To recover the debts, due amount or other amount to be recovered by the problematic Organization or Association having followed the procedures of this Act or Rules or Byelaws framed under this Act;
- g) To sell by auction the assets under mortgage of the problematic Organization or Association having followed the procedures of this Act or Rules or Byelaws framed under this Act;
- h) To sell, use and manage the assets of the problematic Organization or Association;
- i) To prepare records of savings and shares amounts of depositors and members of the problematic Organization or Association;
- j) To repay of return the savings of the members and depositors;
- k) To exercise all powers conferred on the Liquidator by this Act or Rules or Byelaws framed under this Act for management of assets of the problematic Organization or Association and to pay the liabilities;
- l) In case it is found that director or employee of the problematic Organization or Association or his or her family member has used whole or part of savings of depositors in any other company, or organization or in any enterprise or business, to seize the assets so used and assets accrued from it

and to sell by auction such assets and to take other necessary actions of recovery for payment to depositors;

- m) To legally defend on behalf of the problematic Organization or Association;
- n) To seize the assets of the Organization or Association kept in the name of a director or employee of the problematic Organization or Association or his or her family member or in the name of any other person; or the movable or immovable assets purchased from the assets of the Organization or Association and to sell by auction such assets and to take other necessary actions of recovery for payment to depositors.

107. Inventory to be prepared: For the purpose of Section 106, the Management Committee shall prepare an inventory as follows:-

- a) Name list of the members, depositors, borrowers of the problematic Organization or Association and of the persons or organizations to which the Organization or Association has to make payments;
- b) Inventory of immovable assets including apartments in the name of the problematic Organization or Association or having investment of the Organization or Association;
- c) Details of cash deposited in banks gold, silver owned and share investment in the names of members and employees of the problematic Organization or Association, or in name of their family members;
- d) Record of land and buildings mortgaged by the problematic Organization or Association for obtaining loans;
- e) Record of all movable or immovable assets of the problematic Organization or Association located in Nepal or in any place in abroad.

108. Provisions concerning Payment of Liabilities: (1) The Management Committee shall set the following order of priority for payment of liabilities of the problematic Organization or Association:-

- a) Payment of savings to members according to the terms and conditions set at the time of depositing the amount;
- b) Payment of government dues or claims on the assets of such an Organization or Association or assets referred to in clause (1) of Section 106;
- c) Payment of persons paying advance amount to the problematic Organization or Association for apartment or land;

- d) Payment of amount to the creditors of the problematic Organization or Association.

(2) In case assets of the problematic Organization or Association is not sufficient to pay all liabilities of such a problematic Organization or Association under this Section, the Management Committee may refund the savings of and make payment of liabilities to the members on a *pro rata* basis. While refunding savings of members in such a manner, the Management Committee shall accord priority to small depositors as prescribed.

109. Authority may be delegated: The Management Committee may, while managing assets of the problematic Organization or Association, delegate some of its authority to the Chairperson or member of the Management Committee or to a government officer to use and exercise.
110. To be borne from Assets of Organization or Association: In case the expenses to be incurred in the course of managing assets of the problematic Organization or Association cannot be met for the time being from the assets of such an Organization or Association, Government of Nepal may make available amount for that purpose.
111. Authority to be suspended *ipso facto*: (1) The authority of the Board, manager and employees of the problematic Organization or Association shall, *ipso facto*, be suspended from the date of formation of the Management Committee under this Act.
- (2) Notwithstanding anything contained in sub-Section (1), the Management Committee may for the purpose of management of assets and payment of liabilities, release the suspension and engage the members, manager and employees of the problematic Organization or Association for carrying out functions relating to management of assets and payment of liabilities of such Organization or Association.
- (3) In case the Management Committee deposes in work pursuant to sub-Section (2), it shall be the duty of the concerned person to bear the responsibility according.
112. Notice to be given for submission of liabilities: Once the Management Committee begins its works, it shall publish public notice in a national level daily newspaper to the members, depositors, and creditors of the problematic Organization or Association specifying a time limit of at least fifteen days to submit claims of the amount to be repaid to them.
113. Audit Report to be prepared: The Management Committee shall, within six months from the date of commencement of works by it, prepare audit report of the problematic Organization or Association and the report shall be made public.

114. Remedial Actions may be taken: The Management Committee may in case there are reasons and bases that the problematic Organization or Association could operate again based on the audit report prepared under this Act, carry out the following remedial actions:-

- a) To order the Board to carry on management or functions and transactions;
- b) To ask to carry on management or functions and transactions having formed an interim committee from amongst shareholding members of the concerned Organization or Association;
- c) To dissolve the Board and call a General Meeting of such Organization or Association and to cause to form a new Board for carrying on management or functions and transactions;
- d) In case the Central Sectoral Cooperative Organization in which the concerned Organization or Association is a member or the National Cooperatives Federation submits a credible action plan for resuming the operations of the problematic Organization or Association, to entrust such responsibility to with the as terms and conditions prescribed;
- e) To take other reformatory and remedial measures which the Management Committee deems appropriate.

115. Management Committee may write to take actions: (1) The Management Committee may, in the course of carrying out functions relating to assets management or paying liabilities of the problematic Organization or Association, write to the concerned agency to taken actions as follows:-

- a) To freeze the transactions, accounts or other movable or immovable assets of a member of the Board or employee or his or her family member;
- b) Not to issue passport to a member of the Board, manager or employees or to suspend such passports if issued;
- c) To include the names of the members or persons not paying back the loans of the problematic Organization or Association in the blacklist.

(2) In case the writing referred to in sub-Section (1) is received, the concerned agency shall carry out accordingly and inform the Management Committee about it.

116. Recommendation may be made: (1) The Management Committee may recommend to take departmental actions or other actions against any official or employee who does not cooperate in, or obstructs the course of, functions of management of assets or payment of liabilities of the problematic Organization or Association.
- (2) In case a recommendation referred to in sub-Section (1) is received, the concerned authority shall take departmental or other actions according to the prevailing laws.
- (3) While carry out the functions of management of assets or payment of liabilities of the problematic Organization or Association, in case the Management Committee has reasonable ground to believe that offences referred to in Section 122 have been committed, it may write to the agency having authority to conduct investigation and bring prosecution according to the prevailing laws.
117. Report to be submitted: The Management Committee shall, within one month of completion of the performance of management of assets or payment of liabilities of the problematic Organization or Association, submit report to the Ministry stating the following details:-
- a) Refund of members' amount of savings;
 - b) Liabilities paid;
 - c) Details of the remaining assets and liabilities;
 - d) Recommendations relating to policies to be adopted by Government of Nepal with regard to operation of an Organization or Association;
 - e) Other details as deemed appropriate by the Management Committee.
118. Terms and conditions of services of chairperson and members of Management Committee: (1) The chairperson and members of Management Committee shall be the whole timer officials.
- (2) Remuneration and other benefits of the chairperson and members of Management Committee shall be as specified by Government of Nepal.
- (3) No chairperson and members of Management Committee shall disclose to an unauthorized person any information he/she comes to know in the course of carrying out official business
119. Cooperation may be sought: (1) The Management Committee may seek cooperation of other agencies as may be necessary in the course of carrying out its Functions, duties and powers.
- (2) It shall be the duty of all concerned to extend cooperation as sought by the Management Committee.

- (3) While carrying out functions of management of assets or payment of liabilities of the problematic Organization or Association, the Management Committee may move its activities in coordination with other concerned agencies.
120. Expert Service may be sought: (1) The Management Committee may procure services of technicians or experts of the concerned subjects as may be necessary.
- (2) The Management Committee may, for procuring technical or expert services, provide remuneration and facilities having fulfilled the procedures under the prevailing laws relating to public procurement.
121. Provisions concerning Employees of Management Committee: The Ministry shall make available necessary human and physical resources for the secretariat of the Management Committee.

Chapter 19

Offences, Punishment, Fines and Appeal

122. Offences deemed to be committed: Whoever commits any of the following acts shall be deemed to have been committed an offence under this Act:-
- a) If one operates a Cooperative Organization without registration or a Cooperative Organization registration of which has been revoked, or if any person or firm or company carries out transaction or operates business or services or other activity with the use of the word "cooperative" or its translated version in English language its name;
 - b) If savings of members is used for any purpose other than the purposes stated in this Act or Rules or Byelaws framed under this Act;
 - c) If one disburses credits beyond the prescribed amount without collateral or security;
 - d) In case a member of the Board, manager or employee embezzles assets of the Cooperative Organization or savings or share amount;
 - e) If one embezzles amount by disbursing credits to any member, his or her relative or any other person or employee in a manner that it could not be recovered;
 - f) If any member of a Cooperative Organization on his or her own or in collusion with other members mobilizes share amount or savings amount on his or her free will rendering loss to the Cooperative Organization;
 - g) If one avails credits by submitting false or wrong statements, collateral mortgaged is immature or if credits are embezzled;

- h) If a Cooperative Organization makes investment in violation of this Act or Rules or Byelaws framed under this Act or raises money with that objective;
- i) If one avails or provides credits having formed false enterprises;
- j) If credit is availed or disbursed with unnaturally excessive valuation of collateral;
- k) If credit is availed or disbursed with unnaturally high assessment of project costs on the basis of false statement;
- l) If credit is availed or disbursed again with the already mortgaged collateral security given to any person or Cooperative Organization without duly releasing it or if the credit is borrowed or disbursed exceeding the value of the collateral;
- m) If the credit availed from a Cooperative Organization for one purpose is abused or caused to be abused by using it for any other purpose;
- n) If any matter written on any document or account or ledger of Cooperative Organization is removed or deleted or tempered by any means or thereby distorting the meaning or sense or writing something otherwise or in case separate account is maintained thereby causing benefit or loss to oneself or to any other person, or forgery is committed for causing loss to anyone by misleading others with representing the untrue or non-existent facts to be true or existent or by getting a document signed with an alteration in the date, number or particular or causing to be committed the same;
- o) If a valuator of assets values any movable or immovable assets, while valuating it for collateral security or auction of the collateral or for any other purpose, with excessively high valuation or less or false valuation thereby causing loss to the Cooperative Organization or causes to be committed the same;
- p) In case any act is committed with the malafide intention of causing loss to a Cooperative Organization or causing illicit benefit or loss to anyone by getting something to be done or forbearing to do, by doing or not doing favor to anyone, by giving or accepting any amount, by purchasing or selling any goods, services without price or with less price or by giving or accepting donation or gift or souvenir, by preparing false document or false translation;
- q) In case of carrying out or causing to be carried out auditing of any Cooperative Organization with intention to causing loss to the Cooperative Organization or members or depositors or preparing or causing to be prepared false auditing report thereof.

123. Saving of actions taken in good faith: (1) No official or employee of the Ministry, Department or a cooperative Organization or Association shall be individually or collectively liable for any act done in good faith according to Rules, Byelaws or Directives framed under this Act.

(2) Notwithstanding contained sub-Section (1), no act done without fulfilling procedures and with malafide intention shall be saved.

124. Punishment: Whoever commits any of the offences referred to in Section 122 shall be liable to the following punishments:-

- a) For commission of the offences referred to in clauses (a), (c), (m) and (q), an imprisonment up to one year and a fine up to one hundred thousand rupees;
- b) For commission of the offence referred to in clause (l), an imprisonment up to two years and a fine up to two hundred thousand rupees;
- c) For commission of the offence referred to in clause (b), fine equal to the claimed amount and an imprisonment up to three years;
- d) For commission of the offences referred to in clauses (d), (e), (f) and (g) (h), (i), (j), (k), (o) and (p); the claimed amount shall be recovered and equal amount shall be fined and following amount of imprisonment shall be imposed:-
 - 1) If the claimed amount is up to one million rupees, imprisonment up to one year;
 - 2) If the claimed amount is above one million rupees and up to five million rupees, imprisonment from two to three years;
 - 3) If the claimed amount is above five million rupees and up to ten million rupees, imprisonment from three to four years;
 - 4) If the claimed amount is above ten million rupees and up to one hundred million rupees, imprisonment from four to six years;
 - 5) If the claimed amount is above one hundred million rupees and up to one billion rupees, imprisonment from six to eight years;
 - 6) If the claimed amount is whatsoever amount above one billion rupees, imprisonment from eight to ten years;
- e) For commission of the offence referred to in clause (n), an imprisonment up to ten years.

(2) Whoever attempts or abets or assists to commit any offence referred to in Section 122 shall be liable to half of the punishment which the offender in the first degree is liable to.

(3) In case any Organization or Association abets or assists to commit any offence referred to in Section 122, the chief executive or official or the person working in the capacity of an executive shall be liable to the punishment according to this Act.

125. Fines to be imposed: (1) In case anyone is found, either from a complaint of anyone pursuant to Section 132 or while inspecting, monitoring or checking the accounts or from any other means, to have committed any of the following acts, the Registrar or the authority authorized by the Registrar may impose a fine up to five hundred thousand rupees depending upon the nature and gravity of the act so committed:-

- a) In case interest is collected on a member in contravention of this Act or Rules framed under this Act;
- b) In case the difference between the interest to be provided for savings and to be charged on credit is more than six percent and interest is charged on ;
- c) In case the interest is charged on credit having capitalized the interest in the main credit amount provided by the cooperative organization;
- d) In case any member is provided with credit that is more than the prescribed percent of its capital fund;
- e) In case credit investment is made to members, other than those members who are listed at the time of registration of the organization, without completing a period of three months after acquiring the membership;
- f) In case deposits is collected above fifteen times of its primary capital fund;
- g) In case share dividend of more than eighteen percent of share capital is distributed;
- h) In case a Cooperative Organization makes transaction beyond its working area or carries out transactions with a non-member;
- i) In case a Cooperative Organization confers membership to an artificial person in contravention of this Act.

(2) In case anyone is found, from the content referred to sub-Section (1), to have committed any of the following acts, the Registrar or the authority authorized by

the Registrar may impose a fine up to three hundred thousand rupees to that person upon the nature and gravity of the act so committed:-

- a) In case of non-compliance of any directive issued or standards prescribed according to this Act or Rules framed under this Act;
- b) In case of not providing of any statement, document, report, notice or information to be provided according to this Act or Rules framed under this Act;
- c) In case officials of the Board or Accounts Supervision Committee are changed haphazardly without holding election according to this Act;
- d) In case any Cooperative Organization fails to comply with the terms and conditions specified pursuant to sub-Section (4) of Section 15;
- e) In case of commission of any other act in contravention of this Act or Rules framed under this Act.

(3) Before imposing the fine pursuant to sub-Sections (1) or (2), the Registrar or the authority authorized by the Registrar shall give a time of at least 15 days to the concerned person or Cooperative Organization to defend the case.

(4) The power to impose the fines pursuant to sub-Section (1) and (2) shall be exercised District Cooperative Association; and by the Registrar in case of the Province Sectoral Cooperative Association, Provincial Cooperative Association, Specialized Cooperative Association, Central Sectoral Cooperative Association, National Cooperatives Federation and Cooperative Bank and by the authority authorized by the Registrar in case of an Organization, District Sectoral Cooperative Association.

126. To freeze transactions, accounts to assets: (1) The Registrar or the authority authorized by the Registrar may, in addition to impose a fine pursuant to Section 125 on the concerned Cooperative Organization, recommend the concerned agency to freeze transactions, assets and bank accounts and also property of such a Cooperative Organization for a period not exceeding months.

(2) In case the recommendation received pursuant to sub-Section (1), the concerned agency shall have to freeze transactions, assets and bank accounts of such a Cooperative Organization and inform to the Registrar or the authority authorized by the Registrar.

127. Double Fines to be imposed: In case a person or a Cooperative Organization having been imposed a fine pursuant to Section 125 commits the same offence again, the Registrar or the authority authorized by the Registrar shall impose double of the fines every time thereafter on such a person or a Cooperative Organization.

128. Nepal Rastra Bank may punish: (1) Notwithstanding anything contained elsewhere in this Act, the Nepal Rastra Bank may punish as follows on a Cooperative Bank that violate the terms and conditions specified at the time of granting of a by the Nepal Rastra Bank or orders issued from time to time or directives issued in the course of inspection, supervision or regulation:-

- a) To issue a warning or admonition in writing;
- b) To cause the Board of Directors to execute a bond for carrying out reformative actions;
- c) To issue order in writing to end frequent violations, to refrain from it and to begin reformative actions;
- d) To impose full or partial restriction on carrying out transactions;
- e) To suspend or revoke license of the Cooperative Bank.

(2) In case a director or employee of a Cooperative Bank violates orders, directives issued by the Nepal Rastra Bank or terms of the license; fails to submit document, statement, statistics or record demanded at the time of inspection and supervision; within the specified time or commits any act against interests of the depositors or members, the Nepal Rastra Bank may impose the following punishment on such a director or an employee:-

- a) To issue a warning or admonition in writing;
- b) To suspend him or her;
- c) To impose a fine not exceeding five hundred thousand rupees;
- d) To order the Board to suspend the payment of entire benefits such as salary, allowances;
- e) To order the Board to remove from the office if such a person is a director and to take departmental actions if such a person is an employee according to the Byelaws relating to terms and conditions of service.

(3) While imposing the fine under this Section, he/she shall be provided with reasonable opportunity to defend himself or herself.

129. To refer for investigation: In case the Ministry, Nepal Rastra Bank, the Registrar or the authority authorized by the Registrar comes to know, in the course of exercising the functions, duties and powers under thus Act, that anyone has committed an offence referred to in Section 122, it may write to the concerned agency to carry on investigation according to this Act with regard to such an offence.

130. Government of Nepal to be a plaintiff: Government of Nepal shall be a plaintiff in a case involving an offence punishable pursuant to Section 124 and such a case shall be deemed to have been enlisted in Annex -1 of the State a cases Act, 1993.
131. Authority to adjudicate a case: Judicial proceedings and adjudication of a case involving an offence punishable pursuant to Section 124 shall be held by the concerned district court.
132. Statutory Limitation to file a complaint: (1) The person who comes to know that an offence punishable pursuant to Section 124 has been committed or going to be committed shall file a complaint within ninety days of coming of such information.
- (2) A person who comes to know that an offence to be fined pursuant to Section 124 has been committed shall have file a complaint to the Registrar or the authority authorized by the Registrar within ninety days of coming of such information.
133. Appeal may be filed: (1) A person who is not satisfied with the decision of denial to Registrar Cooperative Organization pursuant to Section 16 or of revocation of registration of Cooperative Organization pursuant to Section 88 may, within thirty five days from the date of getting information of the decision, file an appeal to the Registrar in case the decision has been made by the authority authorized by the Registrar and to the Secretary of the Ministry in case the decision has been made by the Registrar.
- (2) The person who is not satisfied with the decision of fine referred to in Section 125, and of the punishment imposed pursuant to clauses (d) and (e) of sub-Section (1) of Section 128 and clauses (c) and (d) and (e) of sub-Section (2) of the same Section, he/she may file an appeal as follows within thirty five days from the date of getting information of the decision:-
- a) To the concerned district court in case the decision has been made by the authority authorized by the Registrar;
 - b) To the concerned High Court in case the decision has been made by the Registrar.
134. Due Amount to be recovered: In case any amount of fine or any other due amount to be paid by any person under this Chapter is due, such an amount of fine or amount shall be recovered from him or her as government due.

Chapter – 20

Miscellaneous Provisions

135. Special Provisions concerning operation of Association: (1) Notwithstanding anything contained elsewhere in this Act, buildings, land and similar type of other immovable property of organizations such as Sajha Yatayat, Sajha Prakashan, Sajha Swastha Sewa, Sajha Bhandar, Sajha Sewa which are under the ownership or control of Government of Nepal, Provincial government or local level and having fifty five percent of share ownership of Government of Nepal at the commencement of this Act shall not be sold, mortgaged and leased for a period of more than five years without approval of Government of Nepal.
- (2) Government of Nepal, Provincial government or local level shall accord priority for management of services to be rendered by the organizations referred to in sub-Section (1) and collaboration may also be worked out by providing financial assistance to such organizations.
- (3) Notwithstanding anything contained elsewhere in this Act, other provisions as to operation and management of the organizations referred to in sub-Section (1) shall be as prescribed.
136. Exercise of Voting Rights: (1) Whatsoever number of shares of a Cooperative Organization has been subscribed by any member, he/she may exercise the voting right in the operation of functions of the concerned Cooperative Organization based on one member, one vote principle.
- (2) Notwithstanding anything contained in sub-Section (1), in case of an Association, more than one representatives may be sent as prescribed for the purpose of taking part in General Meeting and provisions concerning sending of the representatives shall be as prescribed.
- (3) Notwithstanding anything contained in sub-Section (2), no more than one member may be elected from one Organization or Association in the Board of Accounts Supervision Committee of the concerned Association.
137. Social Audits may cause to be conducted: (1) A Cooperative Organization may, for the purpose of attaining the objectives referred to in its Byelaws, conduct social audit on the decisions made and functions carried out by the Board, services received by members and level of satisfaction, positive impact made on economic, social, cultural and environmental aspects of standard of life of the members and other aspects.
- (2) The Board shall submit in the General Meeting the report of the social audit conducted pursuant to sub-Section (1) for the purpose of discussions.

(3) The General Meeting shall, after having discussions on the report of the social audit submitted pursuant to sub-Section (2), gives necessary directives to the Board.

(4) The concerned Cooperative Organization shall submit one copy of the report of the social audit prepared under this Section to the Registrar or the authority authorized by him or her and in case of a Cooperative Bank, one copy of such a report shall also be submitted to the Nepal Rastra Bank.

138. Cooperative Education: (1) Government of Nepal may submit basic knowledge of cooperatives in the school level curriculum and render assistance to establish cooperatives schools or faculty or college (school of cooperatives) under universities.

(2) Other provisions as to cooperative education including accreditation of cooperatives institutions running academic programs of cooperatives shall be as prescribed.

139. Financial Assistance to be provided: Except to members and for social functions, amount of a Cooperative Organization shall not be spent as financial assistance for other functions.

Explanation: For the purpose of this Section, "social functions" means education, health, environment protection, humanitarian assistance, promotion of cooperatives and so on.

140. Inter-governmental transaction may be carried out: (1) Notwithstanding anything contained elsewhere in this Act, Cooperative Organizations may carry out inter-cooperatives transactions amongst themselves.

(2) Procedures for operating inter-cooperatives transactions shall be as prescribed.

141. Provisions concerning tax: Notwithstanding anything contained elsewhere in this Act, the Cooperative Organizations operating financial services within Municipal Corporation areas, Sub-Municipal Corporation areas, and Municipal area shall be subjected to ten percent, seven percent and five percent tax respectively.

Provided that no tax shall be levied to the Cooperative Organizations operating financial services in Rural Municipality area.

142. Contract not to be concluded: Cooperative Organization shall not award a contract of the Cooperative Organization to any of its directors, chairperson or member of Accounts Supervision Committee, or employee of the Cooperative Organization.

143. Settlement of Disputes: In case of any dispute arising out of between Cooperative Organizations, a Disputes Resolution Committee may be formed as prescribed for settlement of such a dispute.

144. Encouragement may be given: The person, Cooperative Organization or other agency making significant contribution in promotion of cooperative sector may be encouraged as prescribed.
145. Departmental actions may be taken: The employee who exercises the authority granted under this Act or Rules framed under this Act with malafide intention, departmental actions against him or her shall be taken according to the prevailing laws.
146. Recovery to be made as government due: In case a grant from government or service or facility received by a Cooperative Organization is found to be misused, it shall be recovered as a government due.
147. Prevailing laws relating to companies not to apply: In case of a Cooperative Organization registered under this Act, the prevailing laws relating to companies shall not apply.
148. No Hindrance to take actions according to prevailing laws: Nothing contained stated in this Act shall be deemed to have hindered to file a case against a person in court according to the prevailing laws.
149. Power to frame Rules: Government of Nepal may frame necessary Rules for implementation of this Act.
150. Interim Arrangements: (1) Notwithstanding anything contained elsewhere in this Act, until the laws of the province or local level are made, provisions may be made in such a manner so that entire functions as to registration and regulation of Cooperative Organizations having their services within the local level may be carried out by the concerned local level, and registration and regulation of Cooperative Organizations having their services extended beyond one local level and up to the province level may be carried out by the concerned province as decided by the concerned provincial assembly and with decisions made by the concerned Village Assembly or Municipal Assembly as the case may be.
- (2) While performing the business pursuant to sub-Section (1), all authority to be exercised by the Registrar under this Act shall be exercised by the authority specified by the Executive of the local level in case of the local level, and by the authority specified by the concerned ministry of the province in case of the Provincial Government level and the authority of the Ministry shall be exercised by the Executive of the Local level in case of the local level and by the concerned ministry in case of the province level, as the case may be.
- (3) Regulation of all levels of Cooperative Organizations shall be carried out under this Act. Until provisions are made pursuant to sub-Section (1) and (2),

151. Standards, Directives or Procedures may be framed and submit: (1) The Ministry may, subject to this Act and Rules framed under this Act, may frame standards, directives, or procedures as may be necessary for maintaining well-order and effectiveness functions such as registration, operation, inspection, and monitoring of the cooperative organization.
- (2) While making the standards pursuant to sub-Section (1), separate standards may be made for Organization and Association carrying out savings and credits as the main transactions based on internationally recognized standards adopted for security of savings of members and institutional sustainability.
- (3) While framing the standards pursuant to sub-Sections (1) and (2), advices of the Nepal Rastra Bank or other concerned agencies may be sought.
152. Repeal and Saving: (1) The Cooperatives Act, 1992 is hereby repealed.
- (2) Actions taken under the Cooperatives Act, 1992 shall be deemed to have been carried out under this Act.

Nepal Law Commission