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No. L-11012/02/2017 -L&M
Government of India
Ministry of Cooperation

Krishi Bhawan, New Delhi

Dated: 05th July, 2022**DRAFT NOTE FOR THE CABINET****Subject: Multi State Cooperative Societies (Amendment) Bill, 2022****1. Introduction**

The Multi State Cooperative Societies (Amendment) Bill, 2022 seeks to amend the Multi State Cooperative Societies (MSCS) Act, 2002 with a view to strengthening governance, enhancing transparency, increasing accountability and reforming electoral process, etc. in the MSCS by supplementing existing legislation and incorporating the provisions of 97th Constitutional Amendment.

2. Background

2.1 The Cooperative Legislation in the country commenced with the enactment of the Co-operative Credit Societies Act, 1904 to facilitate formation of primary cooperative credit societies. It was followed by the Co-operative Societies Act, 1912 which provided for formation of non-credit and federal cooperative societies. Thereafter, the MSCS Act, 1942 was enacted to facilitate organization of cooperative societies with jurisdiction in more than one State.

2.2 With the emergence of national level Co-operative Societies, which were being governed by Co-operative Societies Acts of different States, the Parliament, under Entry 44 of the Union List of the Constitution enacted the MSCS Act, 1984.

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2.3. MSCS Act, 2002

MSCS Act, 2002 was enacted after repealing the MSCS Act, 1984, to facilitate democratic functioning and autonomous working of MSCS in line with the established Cooperative Principles.

2.4. 97th Constitutional Amendment Act, 2011

2.4.1 The above Amendment Act granted constitutional status to the Cooperative Societies and made the following provisions :

- i. Right to form cooperative societies was included as a Fundamental Right by insertion of the words "cooperative societies" in sub clause (c) of clause (1) of Article 19 in Part III.
- ii. Article 43B was inserted in part IV of the Constitution as Directive Principle of State Policy for promotion of cooperative societies.
- iii. Part IX B 'The Cooperative Societies' was inserted with provisions for incorporation, regulation and winding up of co-operative societies.

2.4.2 The Constitutional Amendment Act, 2011 came into force wef 15.02.2012. However, Gujarat High Court vide Judgment dated 22.04.2013 declared that *the Constitution (97th Amendment) Act, 2011 inserting Part IXB containing Articles 243ZH to 243ZT is ultra vires the Constitution of India for not taking recourse to Article 368(2) of the Constitution providing for ratification by the majority of the State Legislatures. This order, however, will not affect other parts of the*

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Constitution (97th Amendment) Act, 2011. However, in Special Leave Petition, Supreme Court of India vide majority judgment dated 20.07.2021 held that Part IX B of the Constitution of India is operative only insofar as it concerns Multi-State Co-operative Societies.

2.4.3 Further as per Article 243 ZT of Constitution, the provisions of the MSCS Act, 2002 that are not consistent with the provisions of Part IXB of the Constitution shall continue to be in force until amended or repealed or expiration of one year from the commencement of the 97th Constitutional Amendment, whichever is less. Hence, the provisions of Part IX B of the Constitution need to be incorporated in the MSCS Act, 2002 by way of suitable amendments.

3. PROPOSAL

3.1 The MSCS Act, 2002 is proposed to be amended by introducing Multi State Cooperative Societies (Amendment) Bill, 2022. Following are the major areas of amendment:

- i) Electoral Reforms;
- ii) Reforms in the Composition of Board, Meetings & Membership;
- iii) Strengthening Governance and Transparency;
- iv) Necessary Funds for Cooperative Sector;
- v) Strengthening Monitoring Mechanism;
- vi) Ease of Doing business; and

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vii) Others.

3.2 The salient amendments proposed under each of the above headings are at Annexure- I (Page 12 – 20).

4. JUSTIFICATION

Amendment to Multi-State Cooperative Societies Act, 2002 is necessary to be in consistence with the 97th Constitutional (Amendment) Act, 2011, to plug loopholes in the existing legislation and to strengthen governance in the MSCSs, in accordance with the following Cooperative Principles: -

- a) Voluntary and Open Membership;
- b) Democratic Member Control;
- c) Member's Economic Participation;
- d) Autonomy and Independence;
- e) Education, Training and Information;
- f) Co-operation among Co-operatives; and
- g) Concern for Community.

5. CONSULTATIONS HELD EARLIER

5.1 Based on the proceedings in the Conference of the State Cooperative Ministers held in December, 2004, a High Powered Committee on Cooperatives was constituted under the Chairmanship of Sh. S.G. Patil vide Resolution dated 10.05.2005. One of the terms of reference of the Committee was to suggest amendments to the MSCS Act, 2002. Based on the recommendations of the

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Committee submitted in May, 2009 and consultations with stakeholders including different Ministries/Departments of Government of India, State Governments, Federations, etc., MSCS (Amendment) Bill, 2010 was introduced in the fifteenth Lok Sabha on 15.11.2010. The Hon'ble Speaker, referred the Bill to the Committee on Agriculture for examination. The Committee on Agriculture in its report to the Lok Sabha on 20.12.2012 recommended that *each and every clause of the Bill may be analyzed and evaluated in consultation with the Ministry of Law and Justice so that not even a word in the Bill contravenes the Constitution. A fresh bill taking into consideration the concerns and interests of all the stakeholders, the interactions of the department with the Committee, for and in connection with 'The Multi-State Cooperative societies(Amendment) Bill, 2010 not excluded, may thereafter be introduced in the Parliament.*

5.2 The Ministry of Agriculture and Cooperation examined the matter accordingly in consultation with the Ministry of Law and Justice. Thereafter, obtaining the approval of the Cabinet, notice for consideration and passing of the Multi-State Cooperative Societies (Amendment) Bill, 2010 was given to the Secretary General, Lok Sabha on 20.11.2013. However, due to dissolution of the House, the Multi-State Cooperative Societies (Amendment) Bill, 2010 lapsed.

5.3 In the year 2015, a workshop was organized by Ministry of Agriculture and Cooperation with the Registrars of Cooperative Societies of all States/UTs to discuss the issue of serious frauds being committed by some credit societies.

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Based on deliberations of the said workshop, a Committee under the Central Registrar comprising officers of the Ministry and Registrars of Cooperative Societies from Maharashtra and Tamil Nadu was formed on 10.06.2016 to examine the amendments proposed in the MSCS Act, 2002.

5.4 Based on further discussions, a Draft Cabinet note was circulated vide OM dated 27th November, 2017 to Department of Economic Affairs, Department of Financial Services, Reserve Bank of India and Securities and Exchange Board of India. After consultation with the above stakeholders, revised Cabinet note for seeking approval for introduction of MSCS Amendment Bill, 2020 was submitted to Cabinet Secretariat on 3.3.2020. This Note was withdrawn on 16th July, 2021 after formation of new Ministry of Cooperation.

5.5 The present draft Multi-State Co-operative Societies (Amendment) Bill, 2022 (Annexure II Page 21-57) is based on consultations held so far and subsequent extensive discussions held within the Ministry on the proposed amendments.

6. INTERMINISTERIAL CONSULTATIONS

Draft Cabinet note is to be circulated to Ministries concerned and their comments /input on the note will be suitably incorporated.

7. EMPLOYMENT GENERATION POTENTIAL

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The Amendment Bill proposes to strengthen governance in MSCS which will enable them to become more competitive, enhance their business and eventually generate more employment. The Bill also proposes creation of offices of Cooperative Election Authority and Cooperative Ombudsmen with related staff for MSCS.

8. ATMANIRBHAR BHARAT

The proposed Amendment Bill by strengthening governance of MSCS will enhance their business activities thus contributing to achieving the goal of Atmanirbhar Bharat.

9. Draft Multi-State Co-operative Societies (Amendment) Bill, 2022 to amend the existing Multi-State Co-operative Societies Act, 2002 is at **Annexure II (page 21-57)**.

10. Concurrence of Ministry of Law and Justice (Department of Legal Affairs and Legislative Department) is being obtained separately.

FINANCIAL IMPLICATIONS

11. Financial implications for salaries, allowance and secretarial expenses for setting up office of Cooperative Election Authority & Cooperative Ombudsman for MSCS estimated to be about ₹6 crore per annum are at **Annexure III (page 58)**.

APPROVAL SOUGHT

12. Approval of the Cabinet is solicited for introduction of the Multi-State Co-operative Societies (Amendment) Bill, 2022 (**Annexure II page 21-57**) subject to

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drafting or consequential modifications in nature as may be considered necessary by the Legislative Department.

13. Statement of Implementation Schedule is at **Appendix-I (page 9)**
14. Statement on Equity, Innovation and Public Accountability is at **Appendix-II (page 10-11)**.
15. The draft Cabinet Note has the approval of the Minister of Cooperation.

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APPENDIX-IIMPLEMENTATION SCHEDULESubject: Multi State Cooperative Societies (Amendment) Bill, 2022

Gist of decision	Projected benefits	Time schedule for Implementation/Reporting to the Cabinet Secretariat
To enact legislation, for amending the Multi-State Co-operative societies Act, 2002.	To strengthen Co-operative movement amongst the multi-state cooperative societies by improving governance, increasing transparency and filling regulatory gaps.	After approval by the Cabinet, the Bill at Annexure II (page 21-57) to the Note will be introduced in the Parliament after making amendments of drafting or consequential nature.

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APPENDIX – II

STATEMENT ON EQUITY, PUBLIC ACCOUNTABILITY AND INNOVATION

Subject: Multi State Cooperative Societies (Amendment) Bill, 2022

Sl.No.	The required goal	How does the proposal advance this goal?
1.	Equity or inclusiveness	Co-operatives work on the principles of equity and facilitate inclusive growth. The proposed amendment is aimed at further promoting equity by various measures such as representation of Women and SC/ST members on the board of MSCS.
2.	Public Accountability	The proposed amendment is aimed at making the governance of the MSCS more democratic, transparent and accountable through provision of Cooperative Information Officer, Cooperative Ombudsmen, Cooperative Election Authority, etc. for MSCS.
3.	Innovation	The proposed amendment will facilitate professional management of the MSCS by bringing in Co-opted Directors with experience in the field of banking, management, cooperative management and finance or having specialization in any field relating to the objects

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		and activities undertaken by such multi-state co-operative society.
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Annexure-I**Multi State Cooperative Societies (Amendment) Bill, 2022****Major Proposed Amendments****A. Electoral Reforms**

1. Establishment of Co-operative Election Authority for MSCS - Chairman, Vice Chairman and members not exceeding three (Section 3 & 45) / (97th Constitutional Amendment).
2. Only active members eligible for election - Attendance in at least three meetings and consumption of products and services at a minimum level as specified in the bye-laws of MSCS (Section 45).

B. Reforms in Composition of Board, Meetings & Membership

1. Reservation of two seats for women and one seat for SC or ST in the Board (Section 41) / (97th Constitutional Amendment).
2. Two co-opted Directors having experience in the field of banking, management, cooperative management and finance or having specialization in any field relating to the objects and activities undertaken by such MSCS (Section 41) / (97th Constitutional Amendment).
3. Grounds for disqualification from being a member of the Board of MSCS-
 - a) Being a director of an insolvent company (Section 43 (1));
 - b) Being a director of a multi-State co-operative society or co-operative bank, where such board has been superseded;

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disqualification after an opportunity of being heard has been given by Central Registrar (S.43(1A)).

- c) Non-conduct of audit within six months of the close of the financial year; non-cooperation with election authority, non-contribution to Cooperative Education or Rehabilitation Fund, non-filing of annual returns, etc., disqualification after giving an opportunity of hearing by Central Registrar (S.43(2)).
- 4. Casual vacancy to be filled by nomination only up to 1/3rd of the Board strength. If casual vacancy exceeds 1/3rd of number of elected directors, elections to be conducted (Section 45) / (97th Constitutional Amendment).
- 5. Quorum prescribed for board meetings - 1/3rd elected Directors (Section 50).
- 6. If Chairman fails to direct convening of the meeting of the board within the quarter, the meeting shall be convened by CEO on the requisition of Deputy Chairman/Vice Chairman/Members of the board. In other cases, meeting to be convened by CEO on requisition from at least 50 % of the board members (Section 50).

C. Strengthening Governance and Transparency

- 1. Subsidiary institutions to not include institutions where members or their relatives hold majority of equity shares themselves or with other subsidiary institution (Section 19).

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2. Minimum consumption, as specified in the bye-laws of MSCS, of products and services by members and payment of all dues to exercise the rights of a member (Section 28).
3. Director not to be present in the discussion and vote on matters where he or his relatives are an interested party. Violation to lead to disqualification and deemed vacation of office (Section 41).
4. Criteria for appointment of CEO (Section 51):
 - a) Age of CEO to be between 21 to 70 years. Beyond the age of 70 years, appointment to be made by a special resolution passed by 3/4th majority of the board;
 - b) Fit & Proper criteria prescribed by Central Registrar for multi-state credit cooperative societies; and
 - c) Not to be an insolvent or convicted person.
5. Board to constitute Committees for prevention of sexual harassment and for Audit and Ethics (Section 53).
6. Provisions for Investment of funds (Section 64):
 - a) In securities issued by Central/State Government/ Government Corporations/ Government Companies/ Authorities/ PSUs or other securities backed by Government Guarantees; or
 - b) In the shares or securities of any other multi-state cooperative society or any cooperative society; or
 - c) In the shares, securities or assets of a subsidiary institution; 'any other institution' to be deleted; or

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- d) Other Scheduled Banks; or
 - e) In such other manner as may be prescribed by the Central Government rather than as per bye-laws of MSCS.
7. Appointment of auditors (Section 70) / (97th Constitutional Amendment)
- a) For multi-State Cooperative Banks, multi-State credit cooperative societies with deposits of over 500 crore & multi-State non-credit cooperative societies with turnover of over 500 crore – from RBI's panel.
 - b) For other multi-State co-operative societies – from the panel of Central Government.
8. Concurrent Audit for multi-State cooperative societies with turnover/deposit more than a prescribed amount - from a panel of auditors approved by RBI (Section 70A).
9. Audit reports of Apex Multi-State Cooperative Societies to be laid in Parliament (Section 70) / (97th Constitutional Amendment).
10. Standards for auditing and accounting (S. 73):
- a) For multi-State co-operative societies – Central Government may prescribe the standards.
 - b) Co-operative banks – to adopt RBI's standards.
 - c) Until such standards are prescribed, the ones specified by Institute of Chartered Accountants of India to be the deemed standards.

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11. Appointment of Co-operative Ombudsmen for MSCS by Central Government to inquire into the grievances of members. Enquiry to be completed within 3 months. MSCS to comply with the directions within a month. Appeal within a month before the Central Registrar (Section 85A).
12. Appointment of Information Officer by MSCS for providing information to its members. Information to be provided/rejected within 1 month. Appeal to Cooperative Ombudsmen (Section 106).
13. Details to be sent in the Annual Return to Central Registrar of those Board decisions which are not unanimous (Section 120).
14. Transparency in recruitment-
 - a) No relative of a sitting Director to be recruited as employee (Section 41).
 - b) Procedure for deciding the number of employees, their designation & process of recruitment to be included in bye-laws of MSCS and recruitment procedure to be subject to rules as may be prescribed by Central Government (Section 10(2) (zk)).
 - c) Disclosure regarding existing employees who are relatives of members of board (Section 120).

D. Necessary funds for cooperative sector

1. Rehabilitation, Reconstruction and Development Fund to be maintained by Central Government- Contribution of 1% of net profit or

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₹10 crore whichever is less, by MSCS in profit for last 3 financial years for revival of sick MSCS & financial assistance. Central Government to constitute a Committee to administer the Fund (Section 63A).

2. Co-operative Education Fund to be maintained by Central Government and proceeds to be used for Cooperative Education and Training through NCUI or/and any other agency(ies) as decided by the Central Government. (Section 63).
3. The arrears of the above funds to be recovered by attaching the bank accounts of defaulting MSCS (Section 98) .
4. Provision of non-voting shares to allow MSCS to raise capital (Section 26).

E. Strengthening of Monitoring Mechanism

1. Re-admission period of an expelled member to be increased from 1 to 3 years (Section 30).
2. Restrictions on Borrowings: The limit during any financial year changed from '10 times' to 'such multiples as prescribed' of the sum of subscribed share capital and accumulated reserves minus losses (Section 67).
3. Power of enquiry by Central Registrar on the basis of information provided by any Government agency or information available through any other means (Section 78).

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4. Winding up of MSCS, after giving opportunity of being heard (Section 86):
 - a) If registration is obtained by misrepresentation, fraud, etc.
or
 - b) If the number of members falls short of the specified number, MSCS to be given 6-month time to restore the number.
5. Failure to file annual returns/information included as offence (Section 104)
6. Amount of monetary penalty for offences increased from a minimum of ₹2 thousand to ₹5 thousand and a maximum of ₹10 thousand to ₹1 Lakh (Section 104).
7. Causing unlawful loss to MSCS's property/asset or obtaining unlawful personal gain included as offence (Section 104).
8. Debarment from contesting elections for 6 years for committing an electoral offence (Section 104).
9. Receiving of gifts/promises/gratification for electoral malpractices, included as offence (Section 104).
10. Supersession / suspension of Board by Central Government in case of specified MSCS, after giving an opportunity to the Board to state its objections, in case of: (Section 123)
 - a) Fraud or embezzlement of funds;

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b) Failure of Co-operative Election Authority to conduct election after taking into account whether the Board had given requisition to the Co-operative Election Authority for holding elections within the time limit in the prescribed manner.

11. Specified multi-State cooperative society means any multi-State society where there is Government shareholding or loan or financial assistance or any guarantee by the Government, as compared to previous definition of Central Government not holding less than 51% equity (97th Constitutional Amendment).

F. Ease of doing business

1. Reducing period of registration of new MSCS from 4 to 3 months with a further extension of 2 months on the request of the applicant to rectify deficiencies (Section 7).
2. Deemed de-registration of a Cooperative Society under State Act upon its conversion into a Multi-State Cooperative Society without the need to obtain any further orders from concerned RCS (Section 22).
3. Provision for submission of applications, documents, annual return, fee, etc. and issue of certificates in digital form (Section 120A).

G. Others

1. Provision for voluntary merger of State level cooperative societies with multi-State cooperative societies with resolution backed by not less than 2/3rd majority of members (Section 17).

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2. Government shareholding not to be redeemed without prior approval of Government. Redemption to be on face / book value of shares (Section 35).
3. Option to organize multi-state co-operative societies formed by reorganization of States into co-operative societies by successor states (Section 103).
4. In case of a multi-State cooperative society carrying on the business of banking, the provisions of Banking Regulation Act, 1949 to apply in relation to Banking activities while provisions relating to incorporation, regulation and winding up shall be governed by this Act (Section 120B).

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Annexure II
Draft Bill

	THE MULTI-STATE CO-OPERATIVE SOCIETIES (AMENDMENT) BILL, 2022	
	A BILL	
	to amend the Multi-State Co-operative Societies Act, 2002.	
	BE it enacted by Parliament in the Seventy-third Year of the Republic of India as follows: —	
	1. (1) This Act may be called the Multi-State Co-operative Societies (Amendment) Act, 2022.	Short title and commencement.
	(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint; and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act, shall be construed as a reference to the coming into force of that provision.	
39 of 2002	2. In the Multi-State Co-operative Societies Act, 2002 (hereinafter referred to as the principal Act), in section 3, —	Amendment of section 3.
	(a) For clause (d), the following clause shall be substituted, namely: —	
	(d) Central Registrar means Central Registrar of Cooperative Societies appointed as per article 243ZH(f) of the Constitution read with sub section (1) of section 4 and includes any officer empowered to exercise the powers of the Central Registrar under sub-section (2) of that section.	Change in the definition of Central Registrar,
	(b) after clause (f), the following clause shall be inserted, namely: —	
	“(fa) “Co-operative Ombudsman” means the Ombudsman appointed by the Central Government under section 85A;”;	Definition of Co-operative Ombudsman

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	(c) in clause (i), for the words "co-operative year", the words "co-operative year or financial year" shall be substituted; and	
	(d) after clause (j), the following clause shall be inserted, namely: —	
	'(ja) "Election Authority" means the Co-operative Election Authority;'	Definition of Co-operative Election Authority
	3. In section 7 of the principal Act,—	Amendment of section 7.
	(a) in sub-section (1), for clause (d), the following clause shall be substituted, namely:—	
	"(d) that the aggregate value of the paid up capital and provision of reserves along with liquidity, exposure and other prudential norms provided in the bye laws of the proposed multi-State co-operative society in the business of thrift and credit shall be such as may be prescribed by the Central Government:	Prescription of Financial norms
	<p>Provided that if the liquidity, prudential, exposure and other parameters of the Multi-State Credit Society do not meet the norms as prescribed above, the Central Registrar shall have powers to issue such directions as deemed fit to the Multi State Cooperative Society to take corrective action.</p> <p>Provided further that the already registered Multi State Cooperative Societies will get a time period of five years to meet the prescribed norms</p> <p>Provided also that in the case of multi-State co-operative banks, the aggregate value of the paid up capital and provision of reserves along with liquidity norms provided in the bye laws of the proposed co-operative banks shall be such as may be laid down by the Reserve Bank from time to time;</p>	
	(b) Following clause (e) shall be inserted: -	

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	(e) that the proposed bye-laws are not contrary to the provisions of this Act and the rules made thereunder.”	
	(c) for sub-sections (2) and (3), the following sub-sections shall be substituted, namely:—	
	“(2) The application for registration shall be disposed of by the Central Registrar within a period of three months from the date of receipt of such application by him:	Time Period for Registration
	Provided that the said period of three months may be extended up to two months by the Central Registrar on the request of applicant to rectify his application.	
	(3) Where the Central Registrar refuses to register a multi-State cooperative society, he shall communicate the order of such refusal stating therein the reasons for such refusal, to the applicant within the period specified in sub-section (2):	Refusal by Central Registrar to register the society
	Provided that no order of refusal shall be made, unless the applicant has been given an opportunity of being heard:	
	Provided further that if the application for registration is not disposed of within the period specified in sub-section (2) or the Central Registrar fails to communicate the order of refusal within that period, the application shall be deemed to have been accepted for registration and the Central Registrar shall issue the registration certificate in accordance with the provisions of this Act and the rules made thereunder.”.	
	4. (a) In section 10 of the principal Act, in sub-section (2), in clause (a), for the word “address”, the words and brackets “address (including e-mail address)” shall be substituted.	Amendment of section 10 to include e-mail address.
	(b) The following clause shall be substituted in place of clause (zk), namely-	
	(zk) the procedure for deciding the number of employees, their designation and recruitment including that of CEO, provided that the procedure for recruitment will be subject to such rules as prescribed by Central Government in this respect, if any.	Procedure & norms followed for recruitment by the society to be included in

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		Bye-laws
	(c) Following clause (zl) shall be inserted: -	
	(zl) any other matter which may be prescribed	
	5. (a) In section 14 of the principal Act, from the title of the section, word 'change of' to be dropped.	Amendment of section 14.
	(b) In section 14 of the principal Act, the following words shall be inserted after address: 'including e mail address'	Inclusion of E-mail address
	6. In section 17 of the principal Act,— (a) after sub-section (9), the following sub-section shall be inserted, namely:—	Amendment of section 17.
	"(10) Any State co-operative society may, by a resolution passed by majority of not less than two-thirds of the members present and voting at a general meeting of such society, decide to merge into a multi-State co-operative society."	Merger of State society with a Multi-State Society
	Provided that such resolution shall be subject to the provisions of the respective State Cooperative Societies Act for the time being in force under which such society is registered.	
	7. In section 19 of the principal Act, in sub-section (2)(a)	Amendment of section 19.
	(a) Clause (iii) to be deleted.	Change in definition of Subsidiary Institution
	8. In section 22 of the principal Act, sub-section (5), clause (c), shall be substituted by the following, namely: -	Amendment of section 22.
	"(c) the co-operative society shall be deemed to be de-registered under the law relating to co-operative society for the time being in force in that State, from the date of the certificate as signed by the Central Registrar and forwarded to	Deemed de-registration

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	such co-operative society, along with a copy of the registered amendment under sub-section (3)."	
	<p>9. (a) In the proviso to section 26 of the principal Act, after words, "members shall", the following will be deleted:</p> <p>"be entitled to subscribe the shares of such society or"</p> <p>(b) and following proviso shall be inserted:</p>	Amendment of section 26.
	Provided that nominal/ associate members can be issued non-voting shares which will not confer any interest in the management of multi-State Cooperative society including right to vote or to be elected as a director of the Board or participate in the general body meetings.	Provision of non-voting shares
	Provided also in case of multi-State Cooperative Banks, such shares will be issued in accordance with RBI instructions issued from time to time.	
	10. In section 28 of the principal Act, for the words "to the society in respect of membership," the words "of all dues to the multi-State cooperative society including the payment in respect of membership or has availed minimum level of products or services as specified in the bye-laws," shall be substituted.	<p>Amendment of section 28.</p> <p>Exercise of rights only by active members</p>
	11. In section 29 of the principal Act, for clause (b), the following clause shall be substituted, namely:—	Amendment of section 29.
	"(b) he fails to use the minimum level of the products or services as specified in the bye-laws for two consecutive years; or".	Active participation by members
	12. In section 30 of the principal Act, in sub-section (2), for the words "one year", the words "three years" shall be substituted.	<p>Amendment of section 30.</p> <p>Increase in period of expulsion</p>
	13. For section 35 of the principal Act, the following section be substituted, namely:—	Substitution of new section for section 35.

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	"35(1). The shares of the authorities referred to in clauses (c) and (d) of sub-section (1) of section 25, held in multi-State co-operative societies,—	Redemption of shares.
	(a) shall not be redeemed without the prior approval of such authorities; and	
	(b) may be redeemed in the manner as may be agreed upon between the multi-State co-operative society and such authorities.	
	(2) The shares held in a multi-State co-operative society by any of the authorities referred to in clauses (e) to (g) of sub-section (1) of section 25, shall be redeemed in accordance with the bye-laws of such multi-State co-operative society and in case, where the bye-laws do not contain any provision in this regard, in the manner, as may be agreed upon between the multi-State co-operative society and such authorities.	
	(3) The redemption of shares referred to in sub-sections (1) and (2), shall be on the face value or book value of shares, whichever is agreed upon by such authorities.	
	'Explanation. —For the purposes of this sub-section, the term "book value" means the value of the shares as shown in the books of account taking into account the total share capital, free reserves and surpluses.'	
	14. In section 39 of the principal Act, in sub-section (1), after clause (o), the following clause shall be inserted, namely:—	Amendment of section 39.
	"(p) appointment of auditor."	
	15. In section 41 of the principal Act,—	Amendment of section 41.
	(a) for sub-section (3), the following sub-section shall be substituted, namely:—	
	"(3) The Board shall consist of such number of directors not exceeding twenty-one, as may be specified in the bye-laws, out of which one member shall be Scheduled Caste or	Reservation in Board,

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	Scheduled Tribe and two shall be women in the Board of multi-State Co-operative Society consisting of individuals and having members from such class or category of persons:	
	Provided that the Board may co-opt as members of the Board having experience in the field of banking, management, cooperative management and finance or having specialisation in any field relating to the objects and activities undertaken by such multi-State co-operative society.	Co-opted members to possess special knowledge
	Provided further that the number of such co-opted members shall not exceed two in addition to twenty-one directors specified in clause (3) above.	
	(4) The co-opted directors referred to in sub-section (3) shall not have the right to vote in any election of the office bearers or be eligible to be elected as office bearers of the Board.	
	(5) The functional directors in a co-operative society shall also be the members of the Board and such directors shall be excluded for the purpose of counting the total number of directors specified in sub-section (3).	
	(6) No director of a multi-State co-operative society shall, as a director, be present in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of such multi-State cooperative society, if he or his relative is directly or indirectly concerned or interested in such contract or arrangement. No relative of any of the sitting Directors of the multi-State Cooperative Society shall be recruited as employee including CEO of that Society.	Related party transactions and Prohibition on recruitment of relatives of directors
	<i>Explanation.</i> —For the purposes of this sub-section, the term, “relative” with reference to an individual, includes—	Definition of ‘Relative’
	(a) spouse; (b) father (including step father), (c) mother (including step mother), (d) son (including step son), (e) son's wife,	

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	(f) daughter (including step daughter), (g) daughter's husband, (h) father's father, (i) father's mother, (j) mother's father, (k) mother's mother, (l) son's son, (m) son's son's wife, (n) son's daughter, (o) son's daughter's husband, (p) daughter's son, (q) daughter's son's wife, (r) daughter's daughter, (s) daughter's daughter's husband, (t) brother (including step brother), (u) brother's wife, (v) sister (including step sister), (w) sister's husband, and (x) Hindu undivided family.	
	(7) Any director of the Board who violates the provision of sub-section (6), shall be disqualified for being a member of the Board and deemed to have vacated his office from the date of such meeting of the Board referred to in the said sub-section and such proceedings shall be deemed to be void.	
	16. In section 43 of the principal Act,—	Amendment of section 43.
	(a) in sub-section (1),—	
	(i) In clause (a) after the words “to be insolvent” the words “or has been a director of an insolvent company” shall be inserted;	Disqualification for being member of the Board

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	(ii) in clause (h), after the words “under this Act”, the words “or under any other Act specified in the Third Schedule” shall be inserted;	
	(iii) after clause (n), the following clauses shall be inserted, namely:—	
	“(o) has been disqualified under sub-section (7) of section 41;”;	
	(iv) after sub-section (1), the following sub-section shall be inserted, namely: —	
	“(1A) A member who has been a director of the Board of any multi-State co-operative society or co-operative bank, where such Board has been superseded, shall not be eligible to be elected as director of the Board of another multi-State co-operative society or multi-State co-operative bank for a period of five years, from the date of such supersession:	Director of a superseded board of a society not to be elected
	Provided that no member shall be disqualified under this sub-section unless an opportunity of being heard has been given to such member by the Central Registrar and order for such disqualification has been passed”.	
	(b) in sub-section (2),—	
	(i) Clause (a) to be substituted by: (a) to provide information, documents, personnel, funds or expenses or any other assistance as sought by the Co-operative Election Authority for conducting elections under this Act.	Other conditions for disqualification
	(ii) in clause (c), after the words “general meeting”, the word “; or” shall be inserted;	
	(iii) after clause (c), the following clauses shall be inserted, namely: —	
	“(d) to make contribution to the co-operative education fund referred to in clause (b) of sub-section (1) of section 63 or the Co-operative Rehabilitation, Reconstruction and Development Fund established under section 63A; or	

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	(e) to file annual return specified in section 120 within the time specified therein; or	
	(f) to get the audit of the society conducted within six months of the close of the financial year to which such account relate;	
	Provided that before disqualifying under this sub section, he or she will be given an opportunity of hearing by the Central Registrar."	
	17. For section 45 of the principal Act, the following sections shall be substituted, namely:—	Substitution of new section for section 45.
	"45. (1) The Central Government shall, by notification, establish an Election Authority to be known as the Co-operative Election Authority which shall consist of a Chairperson, a Vice-Chairperson and Members not exceeding three to be appointed by the Central Government in such manner as prescribed on the recommendation of the Selection Committee consisting of such persons as may be prescribed.	Establishment of Co-operative Election Authority
	(2) The head office of the Election Authority shall be at such place as may be notified by the Central Government.	
	(3) A person shall not be qualified for appointment as a,—	
	(i) Chairperson of the Election Authority unless he held the post of Additional Secretary to the Government of India or equivalent rank; and	
	(ii) Vice-Chairperson of the Election Authority unless he held the post of Joint Secretary to the Government of India or equivalent rank.	
	(iii) Member unless he meets the prescribed criteria	
	(4) The Chairperson, Vice-Chairperson and members of the Election Authority shall hold office for a period of three years from the date on which they enter upon their office or until they attain the age of sixty-five years, whichever is earlier and they shall be eligible for re-appointment.	Term of Office

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	(5) The salaries and allowances payable to, and the other terms and conditions of service of the Chairperson, Vice-Chairperson and members of the Election Authority shall be such as may be prescribed.	Salaries & allowances
	45A. The Chairperson of the Election Authority shall have powers of general superintendence and directions in the conduct of the affairs of the Election Authority and he shall, in addition to presiding over the meetings of the Election Authority, exercise and discharge such other powers and functions as may be prescribed.	Power of Chairperson.
	45B. (1) The Central Government may, by order, remove from office the Chairperson or Vice-Chairperson or members of the Election Authority, if the Chairperson or Vice-Chairperson or member of the Election Authority, as the case may be,—	Removal and suspension of Chairperson, Vice-Chairperson & members.
	(a) has been adjudged as an insolvent; or	
	(b) has been convicted of an offence which, in the opinion of the Central Government involves moral turpitude; or	
	(c) has been physically or mentally incapable of acting as a Chairperson or Vice-Chairperson or member of the Election Authority; or	
	(d) has acquired such financial or other interests, as is likely to affect prejudicially his function as a Chairperson or Vice-Chairperson or member of the Election Authority; or	
	(e) has so abused his position, as to render his continuance in office prejudicial to the public interest; or	
	(f) has engaged at any time during his term of office in any other employment.	
	(2) The Chairperson or Vice-Chairperson or member of the Election Authority shall not be removed from his office except by an order of the Central Government on the ground of his proved misbehavior or incapacity after the Central Government has, on an inquiry, held in accordance with the	

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	procedure prescribed in this behalf by the Central Government, come to the conclusion that the Chairperson or Vice-Chairperson or member of the Election Authority ought to be removed on any such ground.	
	(3) The Central Government may suspend the Chairperson or Vice-Chairperson or member of the Election Authority in respect of whom an inquiry under sub-section (2) is being initiated or pending until the Central Government has passed an order on receipt of the report of the inquiry.	Suspension of Chairperson Vice-Chairperson & members.
	45C. If a casual vacancy occurs in the office of the Chairperson or Vice-Chairperson or member of the Election Authority, whether by reason of his death, resignation or otherwise, such vacancy shall be filled within a period of ninety days by making a fresh appointment in accordance with the provisions of section 45 and the person so appointed shall hold office for the remainder of the term of office for which the Chairperson or Vice-Chairperson or member of the Election Authority, as the case may be, in whose place he is appointed would have held that office.	Filling of casual vacancy.
	45D. The Chairperson and Vice-Chairperson or member of the Election Authority, on ceasing to hold office shall not, for a period of two years, accept any employment (including as consultant or otherwise) in any co-operative society:	Restriction of re-employment.
18 of 2013.	Provided that nothing contained in this section shall apply to any employment under the Central Government or in any State Government or any Corporation established by or under any Central or State Act or a Government Company as defined under clause (45) of section 2 of the Companies Act, 2013.	
	45E. (1) The Election Authority shall meet at such places and times and shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at its meetings), as may be prescribed.	Meetings of Election Authority.
	(2) The Chairperson of the Election Authority shall preside at the meeting of the Election Authority and if for any reason the Chairperson of the Election Authority is unable to attend a meeting of the Election Authority, the	

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	Vice-Chairperson of the Election Authority shall preside at the meeting.	
	(3) All questions which come up before any meeting of the Election Authority shall be decided by a majority of votes of the members present and voting and, in the event of an equality of votes, the Chairperson or the Vice-Chairperson of the Election Authority presiding shall have the right to exercise a second or casting vote.	
	(4) Save as otherwise provided in sub-section (1), every member shall have one vote.	
	45F. The Election Authority shall discharge the following functions, namely:—	Functions of Election Authority.
	(i) conduct elections of multi-State co-operative societies;	
	(ii) supervise, direct and control the matters relating to preparation of electoral rolls; and	
	(iii) such other functions as may be prescribed.	
	45G. (1) No person shall be eligible to be elected as a member of the Board or office bearer of a multi-State co-operative society, unless he is an active member of the general body of that society.	Elections of members of Board.
	<i>Explanation.</i> —For the purposes of this sub-section, the term “active member” shall mean any member—	
	(i) availing minimum level of services or products of the multi-State cooperative society as specified in Bye-laws; and	
	(ii) attending minimum number of general body meeting, as specified in section 29,	
	(2) A member of the Board or office bearer of a multi-State co-operative society shall cease to be such member or office bearer, if he ceases to be a member of general body of that society.	
	(3) The election of members of Board shall be held by secret ballot in such manner as may be prescribed.	

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	<p>(4) The election of a Board shall be conducted before the expiry of the term of the Board so as to ensure that the newly elected members of the Board assume office immediately on the expiry of the term of the office of members of the outgoing Board.</p> <p>The election of the members of the Board shall be held in the general meeting of the members of the multi-State co-operative society. The elected members of the Board shall, if the bye-laws of such society permit, be eligible for re-election.</p>	
	<p>(5) The term of office of elected members of the Board and its office bearers shall be five years from the date of election and the term of office bearers shall be coterminous with the term of the Board:</p>	
	<p>Provided that the Board may fill casual vacancies up to one-third of number of elected directors on the Board by nomination out of the same class of members in respect of which the casual vacancy has arisen, if the term of office of the Board is less than half of its original term. Further, in case such casual vacancies in the same term of the Board exceeds 1/3rd of number of elected directors, such vacancies shall be filled by elections.</p>	
	<p>(6) The expenses for holding elections by the Election Authority shall be borne by the multi-State co-operative society in such manner as may be prescribed.</p>	
	<p>(7) The Central Government may make rules to provide for the powers and the procedure to be followed by the Election Authority for conduct of election of members of the Board.</p>	
	<p>(8) The Chairperson and the Chief Executive of the multi-State co-operative society shall inform the Election Authority, six months before the expiry of the term of the existing Board, to conduct the elections within time.</p>	
	<p>(9) The society in respect of which the election is being held shall provide such infrastructure, personnel, information, documents or other assistance to the Election Authority as it may require.</p>	

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	45H. (1) The Election Authority may appoint a Returning Officer to conduct the election of the multi-State co-operative societies and discharge such functions, as directed by the Election Authority, in such manner as may be prescribed.	Appointment of Returning Officer and other officers.
	(2) The Central Government shall provide such staff and officers to the Election Authority as may be necessary for the efficient discharge of functions by the Election Authority under the Act.	
	(3) The Election Authority may appoint,—	
	(a) such observers as it may consider necessary to supervise the elections and discharge such other functions as may be prescribed;	
	(b) such number of Assistant Returning Officers as it may consider necessary to assist the Returning Officer.	
	45-I. The Election Authority may issue such directions to the Board, its members, Chief Executive and other staff of the multi-State cooperative society as may be necessary for the conduct of free and fair elections and the Board, its members, Chief Executive and staff of the society shall comply with such directions.”	Power to issue directions.
	18. In section 49 of the principal Act, in sub-section (2),—	Amendment of section 49.
	(a) after clause (a), the following clause shall be inserted, namely: —	
	“(aa) To elect the chairperson and Vice Chairperson or President and Vice President of the multi-State cooperative society from amongst the elected members of the Board in accordance with the regulations and directions of the Election Authority:	
	Provided that the Certificate of election shall be issued by the Chief Executive of the Multi State Cooperative Society after the conclusion of resolution of the Board.	Certificate of election

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	19. In section 50 of the principal Act,—	Amendment of section 50.
	(a) in sub-section (1), the following proviso shall be inserted, namely: —	
	“Provided that where the chairperson or president fails to direct the chief executive to convene the meeting of the Board within the quarter, such chief executive shall convene the meeting on the basis of requisition of the vice-chairperson or vice-president or any member of the Board,-	Convening of meeting by CEO
	Provided further that the Chief Executive may also convene meeting on the basis of requisition from at least fifty per cent of members of Board.	
	(b) for sub-section (3), the following sub-sections shall be substituted, namely: —	
	“(3) The Chairperson or President, if for any reason, is unable to attend a meeting of the Board, the Vice Chairperson or Vice President and in the absence of both, any other member of the Board chosen by the members of the Board present from amongst themselves at the meeting, shall preside over the meeting.	
	(4) The quorum for a meeting of the Board of Directors of a multi-State co-operative society shall be one-third of its total number of elected directors.”.	Quorum for Board Meetings
	20. In section 51 of the principal Act, after sub-section (1), the following shall be inserted, namely: —	Amendment of section 51.
	“(1A) No multi-State co-operative society shall appoint or continue the employment of any person as the Chief Executive who—	Criteria to become CEO
	(a) is below the age of twenty-one years or has attained the age of seventy years:	
	Provided that any person above the age of seventy years may be appointed by a special resolution passed by three fourth of the Board members, in which case the explanatory statement annexed to the notice for such	

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	motion shall indicate the justification for appointing such person;	
	(b) is an undischarged insolvent or has any time been adjudged as an insolvent;	
	(c) has at any time been convicted by a court of an offence and sentenced for a period of more than six months.”.	
	(d) does not meet the criteria for ‘fit and proper’, as notified by the Central Registrar in case of multistate credit societies.	
	21. In section 52 of the principal Act, in clause (j), for the words “thirty days”, the words “forty-five days” shall be substituted.	Amendment of section 52. Extension of time period for submission of annual report
	22. In section 53 of the principal Act, for sub-section (1), the following sub-sections shall be substituted, namely:—	Amendment of section 53.
	“(1) The Board may constitute an Executive Committee, and such other committees or sub-committees as may be specified in the bye-laws of the multi-State co-operative society.	
	Provided that the Board shall constitute,—	
	(a) an Audit and Ethics Committee in accordance with the bye-laws;	Audit and Ethics Committee
	(b) a Committee for prevention of sexual harassment at work place.”	Committee on prevention of sexual harassment
	23. (a) In section 63 of the principal Act, after the title, the following words shall be inserted: “and related matters”	Amendment of section 63.
	(b) in sub-section (1), for clause (b), the following clause	

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	shall be substituted, namely:—	
	“(b) credit one per cent to co-operative education fund to be maintained by Central Government in such manner as may be prescribed and proceeds from this fund will be used for Cooperative Education and Training through National Cooperative Union of India or/and any other agency(ies) in such manner as decided by Central Government;”.	Cooperative Education Fund
	24. After section 63 of the principal Act, the following sections shall be inserted, namely: —	Insertion of new section 63A, 63B, 63C.
	“63A. (1) The Central Government shall establish a Fund, to be called the Co-operative Rehabilitation, Reconstruction and Development Fund for revival of sick multi-State cooperative societies as referred to in section 63B and for development purposes in such manner as prescribed and there shall be credited to such fund annually by multi-State cooperative societies which are in profit for the preceding three financial years, ten crore rupees or one percent of the net profits of such multi-State cooperative society whichever is less.	Establishment of Co-operative Rehabilitation, Reconstruction and Development Fund.
	(2) The Central Government shall, by notification, constitute a Committee, consisting of such members as it may deem fit, to administer the Fund, and maintain separate accounts and other relevant records in relation to the Fund in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.	
	(3) The Committee shall spend money out of the Fund for carrying out the objects for which such Fund has been established.	
	63B. (1) If, at any time, the Central Registrar, is of the opinion that a multi-State co-operative society has become sick, he may, by order, declare such society as sick co-operative society.	Rehabilitation and reconstruction of sick multi-State cooperative societies.
	(2) Where a multi-State co-operative society is declared as sick co-operative society under sub-section (1), the Central Government or any person or agency authorised by it, may prepare a scheme for rehabilitation and reconstruction of the	

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	society and hand it over to the society for approval of the general body.	
	(3) The Central Government may, on the recommendation of the general body and to give effect to the scheme for rehabilitation and reconstruction referred to in sub-section (2), reorganise the Board of such society with such persons, having experience in the field of Cooperation, Management, Finance, Accountancy and any other area relating to such societies as may be recommended by the general body:	
	Provided that in respect of a sick multi-State co-operative bank, any scheme for rehabilitation or reconstruction shall be made with the prior approval of the Reserve Bank.	
	<i>Explanation.</i> — For the purposes of this section, the expression “sick co-operative society” means a multi-State co-operative society being a society registered under the provisions of this Act which has accumulated losses equal to or exceeding total of its paid up capital, free reserves and surpluses and has also suffered cash losses in two consecutive financial years immediately preceding the current financial year	
	63C. (1) The Central Government may, on an application made by a multi-State co-operative society which has contributed to the Fund for continuous five preceding financial years, grant such financial assistance as it may consider appropriate to the society out of the Fund for its infrastructural requirement:	Financial assistance to multi-State co-operative societies for development.
	Provided that at least fifty per cent. of the total requirement shall be borne by the multi-State co-operative society and the financial assistance from the Fund shall not exceed more than the fifty per cent of total requirement:	
	(2) The Committee constituted under sub-section (1) of section 63A shall examine and recommend to the Central Government for providing financial assistance to the multi-State co-operative society to such extent and on such terms and conditions as it may consider necessary.”	
	25. In section 64 of the principal Act, —	Amendment of section 64

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		Investment of funds
	(i) For Clause (b), the following clause shall be substituted:	
	(b) In securities issued by Central/ State Government/ Government Corporations/Government Companies/ Authorities/ Public Sector Undertakings or any other securities backed by Government Guarantees; or	
	(ii) In clause (d), the words “any other institution” to be deleted.	
	(iii) For Clause (e), the following clause shall be substituted:	
	(e) “with any other Scheduled Bank; or”	
	(iv) For Clause (f), the following clause shall be substituted:	
	(f) in such other manner as may be prescribed by the Central Government”.	
	(v) Under section 64 of the principal Act, following explanation shall be inserted -	
	Explanation: Scheduled bank means bank included in the Second Schedule of RBI Act, 1934.	
	26. In section 67 of the principal Act,—	Amendment of section 67.
	(a) In sub-section (1), for the words, “ten times”, the words “such multiples as prescribed” shall be substituted.	Revision of Borrowing limit criteria
	27. In section 70 of the principal Act, —	Amendment of section 70.
	(a) In sub-section (2), for the proviso, the following proviso shall be substituted, namely: - “Provided that such auditors or auditing firm shall be appointed from a panel approved by the Central Government or from a panel approved by an authority prescribed by the Central Government in this behalf;	Panel of Auditors to be approved from Central Government,

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	Provided also that in case of multi-State Cooperative Banks, multi-state credit societies with deposits of over 500 crores rupees & multi-state non-credit societies with turnover of over 500 crores rupees, the auditor shall be appointed from the panel of auditors approved for audit of bank/bank branches by the Reserve Bank”.	
	(b) after sub-section (3), the following sub-section shall be inserted, namely: —	
	“(3A) An auditor appointed under sub-section (2) shall submit the audit of accounts report to the multi-State co-operative society, within six months from the date of closing of the financial year, to which such accounts relate.”;	Time period for submission of audit report
	(c) in sub-section (7), in clause (a), for the proviso, the following proviso shall be substituted, namely: —	
	“Provided that where such vacancy is caused by the resignation or death of an auditor, the vacancy shall be filled by the Board from the panel of auditors from which such auditor was appointed.”.	Vacancy of auditor to be filled by Board from the panel of auditors
	(d) after sub-section (9), the following sub-section (10) shall be inserted, namely: --	
	(10) The audit report of the accounts of the National Cooperative Societies as defined in section 3(r) & listed in Second Schedule shall be laid before Parliament as prescribed.	Laying of audit report of National Cooperative Societies before Parliament
	28. After section 70 of the principal Act, the following section shall be inserted, namely: — 70A Concurrent Audit	Insertion of new Section 70A

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	<p>In case of-</p> <p>(i) multi-State cooperative societies having an annual turnover more than the prescribed amount; and</p> <p>(ii) multi-State credit cooperative societies having a deposit of more than the prescribed amount,</p> <p>Concurrent audit shall be carried out by an auditor appointed from a panel of auditors approved by the Reserve Bank of India.</p>	Concurrent Audit
	29. In section 73 of the principal Act, after sub-section (5), the following sub-section shall be inserted, namely: —	Amendment of section 73.
	“(6) The Central Government may prescribe the standard of auditing and accounting to be adopted by a multi-State co-operative society or a class of multi-State co-operative societies:	Standards of auditing and accounting
	Provided that the multi-State co-operative banks shall adopt the standard of accounting and auditing, if any, laid down by the Reserve Bank:	
	Provided further that until such standards of auditing and accounting are prescribed, the auditing standards specified by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949 shall be deemed to be the standard of auditing and accounting.”.	38 of 1949.
	30. In section 78 of the principal Act, after sub-section (1), the following sub-section shall be inserted, namely:—	Amendment of section 78.
	“(1A) If the Central Registrar is satisfied on the basis of information available with him or furnished to him by a Government agency, that the business of a multi-State co-operative society is being carried on for a fraudulent or unlawful purpose, he may, after informing the multi-State co-operative society of the allegations made against it, by a written order, call on the multi-State co-operative society to furnish in writing any information or explanation with the endorsement of the board of the society on matters contained in such order within the time specified therein:	Inquiry into the constitution, working and financial condition of the society

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	Provided that if the Central Registrar is not satisfied with the explanation of the multi-State cooperative society, he shall hold inquiry into the constitution, working and financial condition of such society.	
	(1B) Notwithstanding anything contained in the Act, the Central Registrar suo moto either himself or through an officer or agency authorized by him shall conduct an inquiry into the constitution, working, and financial conditions of such multi-State co-operative societies, normally once in ten years.	Suo-moto inquiry by Central Registrar
	31. After Chapter IX of the principal Act, the following chapter shall be inserted, namely:—	Insertion of new Chapter IXA.
	“Chapter IXA Redressal of Complaints	
	85A. (1) The Central Government may appoint, one or more Co-operative Ombudsmen with territorial jurisdiction for inquiring into the complaints made by any member of a multi-State co-operative society regarding their deposits, equitable benefits of society's functioning or any other issue affecting the individual rights of the concerned member, in such manner, as may be prescribed.	Co-operative Ombudsman.
	(2) The Co-operative Ombudsman shall, on receipt of a complaint, complete the process of inquiry and adjudicate within a period of three months from the date of receipt of the complaint and may issue necessary directions to the multi-State cooperative society during the course of inquiry and the Society shall be bound to comply with the same within a month. The multi-State cooperative society can file an appeal in the prescribed manner against the directions of the Ombudsman within a month before the Central Registrar who shall decide the appeal within 45 days and the decision of Central Registrar shall be final	
	(3) The Ombudsman shall submit periodic reports to the Central Registrar of Co-operative Societies for further action in such manner as may be prescribed.	Periodic reports to be submitted by Ombudsman
	(4) The Co-operative Ombudsman while conducting inquiry	Powers of

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05 of 1908.	under sub-section (1), shall exercise the same powers as are vested in a civil court under the Code of Civil Procedure, 1908,—	Ombudsman
	(a) for summoning and enforcing the attendance of persons;	
	(b) examining them on oath;	
	(c) discovery and production of books of account and other documents; and	
	(d) any other matter which may be prescribed.	
	32. In section 86 of the principal Act,—	Amendment of section 86.
	(a) in sub-section (1), after the words and figures “under section 79”, the words and figures “or section 108” shall be inserted;	
	(b) in sub-section (2), —	
	(i) for clause (a), the following clause shall be substituted, namely: —	
	“(a) Where the number of members or the number of societies or the number of persons, as the case may be, has at any time reduced below the number of members or societies or persons as specified in sub-section (2) of section 6;	
	provided that the society shall be given six-month time to restore the number of members or societies or persons to the requisite number;”	
	(ii) in clause (b), for the words “co-operative principles.”, the words “co-operative principles; or” shall be substituted;	
	(iii) after clause (b), the following clause shall be inserted, namely:—	
	“(c) where the Central Registrar has reasons to believe that the registration was obtained by misrepresentation of facts, submission of false or misleading information, suppression of material facts	Winding up in case of registration obtained by

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	or fraud thereby compromising the spirit of cooperation”.	misrepresentation of facts or fraud
	iv) following proviso shall be added after sub-section (6) Provided that prior to winding up, no objection from institutional lenders who have outstanding loans from the society, shall be required in writing;	
	33. In section 94 of the principal Act, in the opening paragraph, after the words and figures “section 83 or”, the words and figures “section 84 or” shall be inserted.	Amendment of section 94.
	34. In section 98 of the principal Act, in the title, after the word, “Government” the following words shall be inserted: “or under the Act”	
	after sub-section (2), the following sub-section shall be inserted, namely: —	Amendment of section 98.
	(3) The Central Registrar shall also have the power to recover following dues by attaching bank accounts of defaulting multi-State cooperative societies—	Recovery of dues
	(a) the co-operative education fund referred to in clause (b) of sub-section (1) of section 63; or	
	(b) the Co-operative Rehabilitation, Reconstruction and Development Fund established under section 63A; or	
	(c) the expenses incurred by the Co-operative Election Authority for conduct of elections,	
	35. After section 98 of the principal Act, the following section shall be inserted, namely: —	Insertion of new section 98A.
	“98A. The Central Registrar may, on an application received from any party, review his decision under clause (a) or clause (b) or clause (c) of sub-section (1) of section 94:	Review of decision.
	Provided that no application for review shall be entertained against the recovery certificate issued by the Central Registrar or by any person authorized by him in writing in this behalf, unless the applicant deposits with the concerned society, fifty per cent. of	

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	the amount of the recoverable dues:	
	Provided further that no application for review shall be entertained, if made after sixty days of the date of receipt of the decision or order:	
	Provided also that the Central Registrar may entertain any such application made after such period, if the applicant satisfies that he had sufficient cause for not making the application within such period.”.	
	36. In section 103 of the principal Act,—	Amendment of section 103.
	(a) in sub-section (1), the following proviso shall be inserted, namely: —	
	“Provided that where all the successor States take necessary steps to divide or reorganize such deemed multi-State co-operative society into State co-operative societies in order to confine their objects, services and the members to respective States within a period of three years, such deemed multi-State co-operative society shall cease to be a multi-State co-operative society:	
	Provided further that the deemed multi-State co-operative society other than those mentioned in the first proviso shall submit an application for registration and obtain the certificate of registration from the Central Registrar.”	
	37. In section 104 of the principal Act,—	Amendment of section 104.
	(a) in sub-section (1),—	
	(i) after the words “furnishing false information”, the words “or failing to file any return or information” shall be inserted;	
	(ii) for the words “two thousand rupees”, the words “five thousand rupees” shall be substituted;	
	(iii) for the words “ten thousand rupees”, the words “one lakh rupees” shall be substituted;	

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	(b) in sub-section (2), for the words "five thousand rupees", the words "ten thousand rupees" shall be substituted;	
	(c) in sub-section (3),—	
	(i) after the word and figures "section 89", the words and figures "or to a person required to file return under section 120" shall be inserted;	
	(ii) for the words "two thousand rupees", the words "five thousand rupees" shall be substituted;	
	(iii) for the words, "five thousand rupees", the words "ten thousand rupees" shall be substituted;	
	(d) (i) in sub-section (4) clause (h) after the words 'to any person' the words "or receives such gifts, promise or gratification" shall be added. (ii) in sub- section (4) in the long line occurring after sub-clause (iii) of clause (h), after the words "or with both" the words "and debarred from contesting elections for a period of six years" shall be inserted;	
	(e) after sub-section (4), the following sub-section shall be inserted, namely :—	
	"(5) Where a multi-State co-operative society,—	
	(a) which is required to provide an explanation or make a statement during the course of inspection, inquiry or investigation, destroys, mutilates or falsifies, or conceals or tampers or unauthorisedly removes, or causes the destruction, mutilation or falsification or concealment or tampering or unauthorised removal of, any document relating to the property, assets or affairs of the society or makes or causes to make a false entry in any document concerning the society; or	
	(b) makes any investment in contravention of the provision of section 64 or the bye-laws made under this Act; or	
	(c) causes unlawful loss in the assets and property of	

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	the society; or	
	(d) causes unlawful loss to the depositors,	
	<p>the Board of Directors or the responsible officers of the multi-State cooperative society shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to one year or with fine or with both.”</p> <p>Further, the Board of Directors or officers concerned shall also be punishable with imprisonment for a term which shall not be less than one month but which may extend to one year or with fine or with both, if they receive unlawful gains while transacting matters related to the multi-State cooperative society or utilise any assets of the multi-State cooperative society for personal unlawful gains and the proceeds of such unlawful gains shall be recovered from them and deposited in prescribed manner.</p>	
	38. After section 105 of the principal Act, the following section shall be inserted, namely:—	Insertion of new section 105A.
	“105A. The provisions of this Act shall be in addition to, and not in derogation of, any other law for the time being in force.”.	Provisions of this Act not in derogation of any other law.
	39. For section 106 of the principal Act, the following sections shall be substituted, namely:—	Substitution of new sections for section 106.
	“106. (1) Every multi-State co-operative society shall appoint a Co-operative Information Officer to provide information relating to affairs and management of the multi-State cooperative society to the members of the multi-State cooperative society and such information shall be confined to the information falling under the disclosure norms specified by the multi-State cooperative society in its bye-laws.	Appointment of Co-operative Information Officer.
	(2) Any member can make an application in such manner and accompanying such fee as may be prescribed, to get information specified in sub-section (1).	

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	(3) The Co-operative Information Officer shall, within thirty days from the date of receipt of application, either provide the information or reject the application specifying the reason to do so. Appeal can be made to Cooperative Ombudsman against the order of Cooperation Information Officer.	
	106A. Every Chief Executive of a multi-State co-operative society shall keep a copy of the rules and its bye-laws and also a list of its members, open to inspection free of charge at all reasonable times, at the registered address of the multi-State cooperative society.”.	Copy of rules and bye-laws etc. for inspection.
	36. In section 108 of the principal Act, in sub-section (1), in clause (i), after the words “Central Registrar” the words, “or any person authorised by him in this behalf” shall be inserted.	Amendment of section 108.
	37. In section 116 of the principal Act,—	Amendment of section 116.
	(a) for the marginal heading, the following marginal heading shall be substituted, namely:—	
	“Power to amend Schedules”;	
	(b) after sub-section (1), the following sub-section shall be inserted, namely: —	
	“(1A) If the Central Government is satisfied that it is necessary or expedient so to do, it may, by notification, amend the First and Third Schedules and thereupon the said schedules shall be deemed to have been amended accordingly.”	Power to amend schedules
	(c) In sub-section (2), the words “and under sub-section (1A)” shall be inserted after the words “sub-section (1)” .	
	38. In section 120 of the principal Act, for point(f), the following shall be substituted: —	Amendment of section 120. Increased disclosure requirements

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	(f) Disclosure regarding employees who are relatives of members of Board. Definition of 'relative' is as per explanation given under section 41(6).	
	(g) Declaration of any related party transactions by the Board of Directors.	
	(h) Details of Board decisions which were not unanimous.	
	(i) any other information required by the Central Registrar in pursuance of any of the provisions of this Act.	
	39. After section 120 of the principal Act, the following sections shall be inserted, namely:—	Insertion of new sections 120A and 120B.
21 of 2000.	"120A.(1) Notwithstanding anything to the contrary contained in this Act, and without prejudice to the provisions of the Information Technology Act, 2000, the Central Government may, from such date as may be notified, require that—	Filing of applications, documents, inspections, etc. in electronic form.
	(a) such applications, returns, reports, statement of accounts, or any other particulars or document as may be required to be filed or delivered under this Act or the rules made thereunder, shall be filed in the electronic form and authenticated;	
	(b) such document, notice, any communication or intimation, as may be required to be served or delivered under this Act, shall be served or delivered in the electronic form and authenticated;	
	(c) such applications, returns, reports, statement of accounts, registers, bye-laws or any other particulars or documents and returns filed under this Act or the rules made there under shall be maintained by the Central Registrar in the electronic form and registered or authenticated, as the case may be;	
	(d) such inspection of the bye-laws, returns, reports, statement of accounts or any other particulars or	

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	documents maintained in the electronic form, as is otherwise available for inspection under this Act or the rules made thereunder, may be made by any person through the electronic form;	
	(e) such fees, charges or other sums payable under this Act or the rules made thereunder shall be paid through the electronic form; in such manner as may be prescribed,	
	(2) The Central Registrar shall—	
	(a) issue certificate of registration; (b) register the amendment of bye-laws; (c) register change of registered office; (d) register any document; (e) issue any certificate; (f) issue notice; (g) receive such communication as may be required to be registered or issued or recorded or received, as the case may be, under this Act or the rules made thereunder or perform duties or discharge functions or exercise powers under this Act or the rules made thereunder or do any act which is by this Act directed to be performed or discharged or exercised or done by the Central Registrar, in the electronic form in such manner as may be prescribed.	
10 of 1949	120B. In case of a multi-State cooperative society carrying on the business of banking, the provisions of Banking Regulation Act, 1949 shall also apply in relation to Banking activities while provisions relating to incorporation, regulation and winding up shall be governed by this Act.	Application of Banking Regulation Act 1949.
01 of 1956. 54 of 1969. 18 of 2013. 12 of 2003.	40. In section 121 of the principal Act, in sub-section (1), for the words and figures "the Companies Act, 1956" and "the Monopoly and Restrictive Trade Practices Act, 1969", the words and figures "the Companies Act, 2013" and "the Competition Act, 2002" shall respectively be substituted.	Amendment of section 121.
	41. In section 123 of the principal Act, for marginal heading,	Amendment of

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	the following marginal heading shall be substituted: Supersession and suspension of Board of specified multi-state cooperative society	section 123;
	(ii) In section 123 of the principal Act, for sub-section(1), the following sub-section shall be substituted: (1) If in the opinion of the Central Government, the Board of any specified multi-state cooperative society is persistently making default or is negligent in the performance of the duties imposed on it by this Act or the rules or the bye-laws or has committed any act including fraud, embezzlement, etc. which is prejudicial to the interests of the society or its members, or has omitted or failed to comply with any directions given to it under section 122 in public interest or that there is a stalemate in the constitution or functions of the Board or the Cooperative Election Authority has failed to conduct elections in accordance with the provisions of this Act, the Central Government may, after giving the Board an opportunity to state its objections, if any, and considering the objections, if received, by order in writing, remove the Board and appoint one or more administrators, who need not be members of the multi-State cooperative society, to manage the affairs of the multi-State cooperative society for such period not exceeding six months, as may be specified in the order which period may, at the discretion of the Central Government, be extended from time to time, so, however, that the aggregate period does not exceed one year	Supersession and suspension
	Provided that while taking a decision for supersession or suspension on grounds of failure to conduct election, the fact whether the Board had given requisition to the Cooperative Election Authority in the prescribed manner and time limit to hold election and extended necessary assistance as per provisions of Section 45, will also be taken into account.	
	Provided that in the case of a multi-State cooperative bank, the provisions of this sub-section shall have effect as if for the words "one year", the words "two years" had been substituted.	

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	Provided also that in case of a multi-State co-operative society carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply:	
	For Explanation in section 123 of the principal Act, the following explanation shall be substituted: <i>Explanation:</i> - For the purposes of Sections 122 and 123, specified multi state cooperative society means any multi state society where there is Government shareholding or loan or financial assistance or any guarantee by the Government.	
	42. In section 124 of the principal Act,— (a) in sub-section (2),—	Amendment of section 124.
	(i) after clause (a), the following clause shall be inserted, namely:—	
	“(aa) aggregate value of the paid up capital and provision of reserves along with liquidity, exposure and other prudential norms for the proposed multi-State co-operative society in the business of thrift and credit under clause (d) of sub-section (1) of section 7.	
	(ii) After clause (b), the following clauses shall be inserted, namely:	
	(ba) the procedure for deciding the number of employees, their designation and recruitment, including that of CEO under sub-section (2) of section 10.	
	(iii) for clause (k), the following clauses shall be substituted, namely: —	
	“(k) the manner of appointment and qualification of Chairperson, Vice-Chairperson and members under sub-section (1) & sub-section (3) of section 45;	
	(ka) the salaries and allowances and other terms and conditions of service of the Chairperson, Vice-Chairperson and members of the Election Authority under sub-section (5) of section 45;	

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	(kb) other powers and functions of Chairperson under sub-section (1) of section 45A;	
	(kc) the procedure and manner of inquiry under sub-section (2) of section 45B;	
	(kd) other functions of Election Authority under section 45F;	
	(ke) the manner of holding elections of members of Board by secret ballot under sub-section (3) of section 45G;	
	(kf) The manner in which a multi-state Cooperative society shall give a requisition to the Election Authority to conduct election as per section 45G(8).	
	(kg) the manner in which expenses shall be borne by a multi-State cooperative society for elections conducted by Election Authority under sub-section (6) of section 45G;	
	(kh) the manner of discharge of function by the Retuning Officer and observers for conduct/supervision of election under sub-sections (1) and (3) of section 45H;”;	
	(iv) after clause (r), the following clause shall be inserted, namely: —	
	“(ra) the manner in which Cooperative Education Fund shall be maintained under sub-section (1) of section 63;	
	(rb) the manner to establish a Fund for revival of sick multi-State co-operative societies and contribution therein under sub-section (1) of section 63A;	
	(rc) the form in which separate accounts and other relevant records in relation to the fund shall be maintained under sub-section (2) of section 63A;	
	(rd) the limit on a multi-state Cooperative society on raising loans and receiving deposits under sub-section (1) of section 67.	

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	(vi) after clause (s), the following clauses shall be inserted, namely: —	
	(sa) authority for approving panel of auditors or auditing firms under sub-section (2) of section 70.	
	(sb) the manner in which the audit report of the accounts of the National Cooperative Societies as defined in section 3(r) & listed in Second Schedule shall be laid before parliament under sub-section (10) of section 70.	
	(sc) Annual turnover and deposits of multi-State cooperative societies which shall get concurrent audit carried out under section 70A.	
	“(sd) the auditing and accounting standards under sub-section (6) of section 73;	
	(se) the manner of appointment of Co-operative Ombudsman and submission of complaints to the Ombudsman under sub-section (1) of section 85A;”;	
	(sf) the procedure to file an appeal by a complainant before the Central Registrar against the directions of the Ombudsman under sub-section (2) of section 85A;	
	(sg) the procedure to submit the report by the Co-operative Ombudsman under sub-section (3) of section 85A;	
	(sh) Other powers of Co-operative Ombudsman under sub-section (4) of section 85A;”;	
	(vii) after clause (w), the following clauses shall be inserted, namely: —	
	(wa) the manner of recovery & deposit of proceeds of unlawful gains under sub-section (5) of section 104.	
	(wb) the manner of applying and fee to be paid for the purpose of obtaining information under sub-	

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	section (2) of section 106;”;	
	(viii) after clause (x), the following clause shall be inserted, namely: —	
	“(xa) the manner of filing applications, documents, inspections, etc., in electronic form and manner of authentication thereof, payment of fees, charges or other sums, the performance or discharge or exercise of duties, functions or powers, etc., under sub-section (1) of section 120A;”;	
	(xb) the manner in which communication shall be received in the electronic form, to be registered or issued or recorded or received, or duties to be performed or functions to be discharged or powers to be exercised or any act directed to be performed or discharged or exercised or done by the Central Registrar, under sub-section (2) of section 120A	
	43. After section 125 of the principal Act, the following sub-section shall be inserted: - (1) If any difficulty arises in giving effect to the provisions of this Amended Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Amended Act as may appear to be necessary for removing the difficulty. Provided that no order shall be made under this section after the expiry of one year from the commencement of this Amended Act. (2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.	Insertion of new Section 125A
	44. After Second Schedule to the principal Act, the following Schedule shall be inserted, namely:—	Insertion of Third Schedule.
	“THE THIRD SCHEDULE [See clause (h) of sub-section (1) of section 43]	
Sl. No.	Name of the Act	Act Number
(1)	the Indian Stamp Act, 1899;	02 of 1899.

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(2)	the Reserve Bank of India Act, 1934;	02 of 1934.
(3)	the Central Excises Act, 1944;	01 of 1944.
(4)	the Industries (Development and Regulation) Act, 1951;	65 of 1951.
(5)	the Prevention of Food Adulteration Act, 1954;	37 of 1954.
(6)	the Essential Commodities Act, 1955;	10 of 1955.
(7)	the Securities Contracts (Regulation) Act, 1956;	42 of 1956.
(8)	the Wealth-tax Act, 1957;	27 of 1957.
(9)	the Customs Act, 1962;	52 of 1962.
(10)	the Prize Chits and Money Circulation Scheme (Banning) Act, 1978;	43 of 1978.
(11)	the Sick Industrial Companies (Special provisions) Act, 1985;	01 of 1986.
(12)	the Securities and Exchange Board of India Act, 1992;	15 of 1992.
(13)	the Foreign Trade (Development and Regulation) Act, 1992;	22 of 1992.
(14)	the Foreign Exchange Management Act, 1999;	42 of 1999.
(15)	the Competition Act, 2002;	12 of 2003.
(16)	the Prevention of Money Laundering Act, 2002;	15 of 2003.
(17)	the Companies Act, 2013.”.	18 of 2013.

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Annexure-IIIMulti State Cooperative Societies (Amendment) Bill, 2022

Tentative financial implications of salaries, allowance and secretarial expenses for setting up of: -

Office of Cooperative Election Authority: -

Sl. No.	Name of the post	Estimated annual salary
1.	Chairperson (Additional Secretary level)	₹36 lakh per annum
2.	Vice-Chairperson (Joint Secretary level)	₹30 lakh per annum
3.	Member (03 Nos.)	₹72 lakh per annum
4.	Secretariat expenses (staff 10 Nos.)	₹120 lakh per annum
5.	Establishment expenditure	₹60 lakh per annum
	Total	₹318 lakh per annum

Cooperative Ombudsmen: -

Sl. No.	Name of the post	Estimated annual salary
1.	Cooperative Ombudsmen (Nos 04 zone wise) (level of the post to be prescribed)	₹96 lakh per annum
2.	Secretariat expenses (staff 10 Nos.)	₹120 lakh per annum
3.	Establishment expenditure	₹60 lakh per annum
	Total	₹276 lakh per annum
	Grand total	₹594 lakh per annum

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Krishi Bhawan, New Delhi

Dated: 05th July, 2022**DRAFT NOTE FOR THE CABINET****Subject: Multi State Cooperative Societies (Amendment) Bill, 2022****1. Introduction**

The Multi State Cooperative Societies (Amendment) Bill, 2022 seeks to amend the Multi State Cooperative Societies (MSCS) Act, 2002 with a view to strengthening governance, enhancing transparency, increasing accountability and reforming electoral process, etc. in the MSCS by supplementing existing legislation and incorporating the provisions of 97th Constitutional Amendment.

2. Background

2.1 The Cooperative Legislation in the country commenced with the enactment of the Co-operative Credit Societies Act, 1904 to facilitate formation of primary cooperative credit societies. It was followed by the Co-operative Societies Act, 1912 which provided for formation of non-credit and federal cooperative societies. Thereafter, the MSCS Act, 1942 was enacted to facilitate organization of cooperative societies with jurisdiction in more than one State.

2.2 With the emergence of national level Co-operative Societies, which were being governed by Co-operative Societies Acts of different States, the Parliament, under Entry 44 of the Union List of the Constitution enacted the MSCS Act, 1984.

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2.3. MSCS Act, 2002

MSCS Act, 2002 was enacted after repealing the MSCS Act, 1984, to facilitate democratic functioning and autonomous working of MSCS in line with the established Cooperative Principles.

2.4. 97th Constitutional Amendment Act, 2011

2.4.1 The above Amendment Act granted constitutional status to the Cooperative Societies and made the following provisions :

- i. Right to form cooperative societies was included as a Fundamental Right by insertion of the words "cooperative societies" in sub clause (c) of clause (1) of Article 19 in Part III.
- ii. Article 43B was inserted in part IV of the Constitution as Directive Principle of State Policy for promotion of cooperative societies.
- iii. Part IX B 'The Cooperative Societies' was inserted with provisions for incorporation, regulation and winding up of co-operative societies.

2.4.2 The Constitutional Amendment Act, 2011 came into force wef 15.02.2012. However, Gujarat High Court vide Judgment dated 22.04.2013 declared that *the Constitution (97th Amendment) Act, 2011 inserting Part IXB containing Articles 243ZH to 243ZT is ultra vires the Constitution of India for not taking recourse to Article 368(2) of the Constitution providing for ratification by the majority of the State Legislatures. This order, however, will not affect other parts of the*

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Constitution (97th Amendment) Act, 2011. However, in Special Leave Petition, Supreme Court of India vide majority judgment dated 20.07.2021 held that Part IX B of the Constitution of India is operative only insofar as it concerns Multi-State Co-operative Societies.

2.4.3 Further as per Article 243 ZT of Constitution, the provisions of the MSCS Act, 2002 that are not consistent with the provisions of Part IXB of the Constitution shall continue to be in force until amended or repealed or expiration of one year from the commencement of the 97th Constitutional Amendment, whichever is less. Hence, the provisions of Part IX B of the Constitution need to be incorporated in the MSCS Act, 2002 by way of suitable amendments.

3. PROPOSAL

3.1 The MSCS Act, 2002 is proposed to be amended by introducing Multi State Cooperative Societies (Amendment) Bill, 2022. Following are the major areas of amendment:

- i) Electoral Reforms;
- ii) Reforms in the Composition of Board, Meetings & Membership;
- iii) Strengthening Governance and Transparency;
- iv) Necessary Funds for Cooperative Sector;
- v) Strengthening Monitoring Mechanism;
- vi) Ease of Doing business; and

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vii) Others.

3.2 The salient amendments proposed under each of the above headings are at Annexure- I (Page 12 – 20).

4. JUSTIFICATION

Amendment to Multi-State Cooperative Societies Act, 2002 is necessary to be in consistence with the 97th Constitutional (Amendment) Act, 2011, to plug loopholes in the existing legislation and to strengthen governance in the MSCSs, in accordance with the following Cooperative Principles: -

- a) Voluntary and Open Membership;
- b) Democratic Member Control;
- c) Member's Economic Participation;
- d) Autonomy and Independence;
- e) Education, Training and Information;
- f) Co-operation among Co-operatives; and
- g) Concern for Community.

5. CONSULTATIONS HELD EARLIER

5.1 Based on the proceedings in the Conference of the State Cooperative Ministers held in December, 2004, a High Powered Committee on Cooperatives was constituted under the Chairmanship of Sh. S.G. Patil vide Resolution dated 10.05.2005. One of the terms of reference of the Committee was to suggest amendments to the MSCS Act, 2002. Based on the recommendations of the

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Committee submitted in May, 2009 and consultations with stakeholders including different Ministries/Departments of Government of India, State Governments, Federations, etc., MSCS (Amendment) Bill, 2010 was introduced in the fifteenth Lok Sabha on 15.11.2010. The Hon'ble Speaker, referred the Bill to the Committee on Agriculture for examination. The Committee on Agriculture in its report to the Lok Sabha on 20.12.2012 recommended that *each and every clause of the Bill may be analyzed and evaluated in consultation with the Ministry of Law and Justice so that not even a word in the Bill contravenes the Constitution. A fresh bill taking into consideration the concerns and interests of all the stakeholders, the interactions of the department with the Committee, for and in connection with 'The Multi-State Cooperative societies(Amendment) Bill, 2010 not excluded, may thereafter be introduced in the Parliament.*

5.2 The Ministry of Agriculture and Cooperation examined the matter accordingly in consultation with the Ministry of Law and Justice. Thereafter, obtaining the approval of the Cabinet, notice for consideration and passing of the Multi-State Cooperative Societies (Amendment) Bill, 2010 was given to the Secretary General, Lok Sabha on 20.11.2013. However, due to dissolution of the House, the Multi-State Cooperative Societies (Amendment) Bill, 2010 lapsed.

5.3 In the year 2015, a workshop was organized by Ministry of Agriculture and Cooperation with the Registrars of Cooperative Societies of all States/UTs to discuss the issue of serious frauds being committed by some credit societies.

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Based on deliberations of the said workshop, a Committee under the Central Registrar comprising officers of the Ministry and Registrars of Cooperative Societies from Maharashtra and Tamil Nadu was formed on 10.06.2016 to examine the amendments proposed in the MSCS Act, 2002.

5.4 Based on further discussions, a Draft Cabinet note was circulated vide OM dated 27th November, 2017 to Department of Economic Affairs, Department of Financial Services, Reserve Bank of India and Securities and Exchange Board of India. After consultation with the above stakeholders, revised Cabinet note for seeking approval for introduction of MSCS Amendment Bill, 2020 was submitted to Cabinet Secretariat on 3.3.2020. This Note was withdrawn on 16th July, 2021 after formation of new Ministry of Cooperation.

5.5 The present draft Multi-State Co-operative Societies (Amendment) Bill, 2022 (Annexure II Page 21-57) is based on consultations held so far and subsequent extensive discussions held within the Ministry on the proposed amendments.

6. INTERMINISTERIAL CONSULTATIONS

Draft Cabinet note is to be circulated to Ministries concerned and their comments /input on the note will be suitably incorporated.

7. EMPLOYMENT GENERATION POTENTIAL

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The Amendment Bill proposes to strengthen governance in MSCS which will enable them to become more competitive, enhance their business and eventually generate more employment. The Bill also proposes creation of offices of Cooperative Election Authority and Cooperative Ombudsmen with related staff for MSCS.

8. ATMANIRBHAR BHARAT

The proposed Amendment Bill by strengthening governance of MSCS will enhance their business activities thus contributing to achieving the goal of Atmanirbhar Bharat.

9. Draft Multi-State Co-operative Societies (Amendment) Bill, 2022 to amend the existing Multi-State Co-operative Societies Act, 2002 is at **Annexure II (page 21-57)**.

10. Concurrence of Ministry of Law and Justice (Department of Legal Affairs and Legislative Department) is being obtained separately.

FINANCIAL IMPLICATIONS

11. Financial implications for salaries, allowance and secretarial expenses for setting up office of Cooperative Election Authority & Cooperative Ombudsman for MSCS estimated to be about ₹6 crore per annum are at **Annexure III (page 58)**.

APPROVAL SOUGHT

12. Approval of the Cabinet is solicited for introduction of the Multi-State Co-operative Societies (Amendment) Bill, 2022 (**Annexure II page 21-57**) subject to

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drafting or consequential modifications in nature as may be considered necessary by the Legislative Department.

13. Statement of Implementation Schedule is at **Appendix-I (page 9)**
14. Statement on Equity, Innovation and Public Accountability is at **Appendix-II (page 10-11)**.
15. The draft Cabinet Note has the approval of the Minister of Cooperation.

(Vijay Kumar)

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APPENDIX-IIMPLEMENTATION SCHEDULESubject: Multi State Cooperative Societies (Amendment) Bill, 2022

Gist of decision	Projected benefits	Time schedule for Implementation/Reporting to the Cabinet Secretariat
To enact legislation, for amending the Multi-State Co-operative societies Act, 2002.	To strengthen Co-operative movement amongst the multi-state cooperative societies by improving governance, increasing transparency and filling regulatory gaps.	After approval by the Cabinet, the Bill at Annexure II (page 21-57) to the Note will be introduced in the Parliament after making amendments of drafting or consequential nature.

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APPENDIX – II

STATEMENT ON EQUITY, PUBLIC ACCOUNTABILITY AND INNOVATIONSubject: Multi State Cooperative Societies (Amendment) Bill, 2022

Sl.No.	The required goal	How does the proposal advance this goal?
1.	Equity or inclusiveness	Co-operatives work on the principles of equity and facilitate inclusive growth. The proposed amendment is aimed at further promoting equity by various measures such as representation of Women and SC/ST members on the board of MSCS.
2.	Public Accountability	The proposed amendment is aimed at making the governance of the MSCS more democratic, transparent and accountable through provision of Cooperative Information Officer, Cooperative Ombudsmen, Cooperative Election Authority, etc. for MSCS.
3.	Innovation	The proposed amendment will facilitate professional management of the MSCS by bringing in Co-opted Directors with experience in the field of banking, management, cooperative management and finance or having specialization in any field relating to the objects

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		and activities undertaken by such multi-state co-operative society.
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Annexure-I**Multi State Cooperative Societies (Amendment) Bill, 2022****Major Proposed Amendments****A. Electoral Reforms**

1. Establishment of Co-operative Election Authority for MSCS - Chairman, Vice Chairman and members not exceeding three (Section 3 & 45) / (97th Constitutional Amendment).
2. Only active members eligible for election - Attendance in at least three meetings and consumption of products and services at a minimum level as specified in the bye-laws of MSCS (Section 45).

B. Reforms in Composition of Board, Meetings & Membership

1. Reservation of two seats for women and one seat for SC or ST in the Board (Section 41) / (97th Constitutional Amendment).
2. Two co-opted Directors having experience in the field of banking, management, cooperative management and finance or having specialization in any field relating to the objects and activities undertaken by such MSCS (Section 41) / (97th Constitutional Amendment).
3. Grounds for disqualification from being a member of the Board of MSCS-
 - a) Being a director of an insolvent company (Section 43 (1));
 - b) Being a director of a multi-State co-operative society or co-operative bank, where such board has been superseded;

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disqualification after an opportunity of being heard has been given by Central Registrar (S.43(1A)).

- c) Non-conduct of audit within six months of the close of the financial year; non-cooperation with election authority, non-contribution to Cooperative Education or Rehabilitation Fund, non-filing of annual returns, etc., disqualification after giving an opportunity of hearing by Central Registrar (S.43(2)).

4. Casual vacancy to be filled by nomination only up to 1/3rd of the Board strength. If casual vacancy exceeds 1/3rd of number of elected directors, elections to be conducted (Section 45) / (97th Constitutional Amendment).
5. Quorum prescribed for board meetings - 1/3rd elected Directors (Section 50).
6. If Chairman fails to direct convening of the meeting of the board within the quarter, the meeting shall be convened by CEO on the requisition of Deputy Chairman/Vice Chairman/Members of the board. In other cases, meeting to be convened by CEO on requisition from at least 50 % of the board members (Section 50).

C. Strengthening Governance and Transparency

1. Subsidiary institutions to not include institutions where members or their relatives hold majority of equity shares themselves or with other subsidiary institution (Section 19).

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2. Minimum consumption, as specified in the bye-laws of MSCS, of products and services by members and payment of all dues to exercise the rights of a member (Section 28).
3. Director not to be present in the discussion and vote on matters where he or his relatives are an interested party. Violation to lead to disqualification and deemed vacation of office (Section 41).
4. Criteria for appointment of CEO (Section 51):
 - a) Age of CEO to be between 21 to 70 years. Beyond the age of 70 years, appointment to be made by a special resolution passed by 3/4th majority of the board;
 - b) Fit & Proper criteria prescribed by Central Registrar for multi-state credit cooperative societies; and
 - c) Not to be an insolvent or convicted person.
5. Board to constitute Committees for prevention of sexual harassment and for Audit and Ethics (Section 53).
6. Provisions for Investment of funds (Section 64):
 - a) In securities issued by Central/State Government/ Government Corporations/ Government Companies/ Authorities/ PSUs or other securities backed by Government Guarantees; or
 - b) In the shares or securities of any other multi-state cooperative society or any cooperative society; or
 - c) In the shares, securities or assets of a subsidiary institution; 'any other institution' to be deleted; or

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- d) Other Scheduled Banks; or
 - e) In such other manner as may be prescribed by the Central Government rather than as per bye-laws of MSCS.
7. Appointment of auditors (Section 70) / (97th Constitutional Amendment)
- a) For multi-State Cooperative Banks, multi-State credit cooperative societies with deposits of over 500 crore & multi-State non-credit cooperative societies with turnover of over 500 crore – from RBI's panel.
 - b) For other multi-State co-operative societies – from the panel of Central Government.
8. Concurrent Audit for multi-State cooperative societies with turnover/deposit more than a prescribed amount - from a panel of auditors approved by RBI (Section 70A).
9. Audit reports of Apex Multi-State Cooperative Societies to be laid in Parliament (Section 70) / (97th Constitutional Amendment).
10. Standards for auditing and accounting (S. 73):
- a) For multi-State co-operative societies – Central Government may prescribe the standards.
 - b) Co-operative banks – to adopt RBI's standards.
 - c) Until such standards are prescribed, the ones specified by Institute of Chartered Accountants of India to be the deemed standards.

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11. Appointment of Co-operative Ombudsmen for MSCS by Central Government to inquire into the grievances of members. Enquiry to be completed within 3 months. MSCS to comply with the directions within a month. Appeal within a month before the Central Registrar (Section 85A).
12. Appointment of Information Officer by MSCS for providing information to its members. Information to be provided/rejected within 1 month. Appeal to Cooperative Ombudsmen (Section 106).
13. Details to be sent in the Annual Return to Central Registrar of those Board decisions which are not unanimous (Section 120).
14. Transparency in recruitment-
 - a) No relative of a sitting Director to be recruited as employee (Section 41).
 - b) Procedure for deciding the number of employees, their designation & process of recruitment to be included in bye-laws of MSCS and recruitment procedure to be subject to rules as may be prescribed by Central Government (Section 10(2) (zk)).
 - c) Disclosure regarding existing employees who are relatives of members of board (Section 120).

D. Necessary funds for cooperative sector

1. Rehabilitation, Reconstruction and Development Fund to be maintained by Central Government- Contribution of 1% of net profit or

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₹10 crore whichever is less, by MSCS in profit for last 3 financial years for revival of sick MSCS & financial assistance. Central Government to constitute a Committee to administer the Fund (Section 63A).

2. Co-operative Education Fund to be maintained by Central Government and proceeds to be used for Cooperative Education and Training through NCUI or/and any other agency(ies) as decided by the Central Government. (Section 63).
3. The arrears of the above funds to be recovered by attaching the bank accounts of defaulting MSCS (Section 98) .
4. Provision of non-voting shares to allow MSCS to raise capital (Section 26).

E. Strengthening of Monitoring Mechanism

1. Re-admission period of an expelled member to be increased from 1 to 3 years (Section 30).
2. Restrictions on Borrowings: The limit during any financial year changed from '10 times' to 'such multiples as prescribed' of the sum of subscribed share capital and accumulated reserves minus losses (Section 67).
3. Power of enquiry by Central Registrar on the basis of information provided by any Government agency or information available through any other means (Section 78).

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4. Winding up of MSCS, after giving opportunity of being heard (Section 86):
 - a) If registration is obtained by misrepresentation, fraud, etc.
or
 - b) If the number of members falls short of the specified number, MSCS to be given 6-month time to restore the number.
5. Failure to file annual returns/information included as offence (Section 104)
6. Amount of monetary penalty for offences increased from a minimum of ₹2 thousand to ₹5 thousand and a maximum of ₹10 thousand to ₹1 Lakh (Section 104).
7. Causing unlawful loss to MSCS's property/asset or obtaining unlawful personal gain included as offence (Section 104).
8. Debarment from contesting elections for 6 years for committing an electoral offence (Section 104).
9. Receiving of gifts/promises/gratification for electoral malpractices, included as offence (Section 104).
10. Supersession / suspension of Board by Central Government in case of specified MSCS, after giving an opportunity to the Board to state its objections, in case of: (Section 123)
 - a) Fraud or embezzlement of funds;

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b) Failure of Co-operative Election Authority to conduct election after taking into account whether the Board had given requisition to the Co-operative Election Authority for holding elections within the time limit in the prescribed manner.

11. Specified multi-State cooperative society means any multi-State society where there is Government shareholding or loan or financial assistance or any guarantee by the Government, as compared to previous definition of Central Government not holding less than 51% equity (97th Constitutional Amendment).

F. Ease of doing business

1. Reducing period of registration of new MSCS from 4 to 3 months with a further extension of 2 months on the request of the applicant to rectify deficiencies (Section 7).
2. Deemed de-registration of a Cooperative Society under State Act upon its conversion into a Multi-State Cooperative Society without the need to obtain any further orders from concerned RCS (Section 22).
3. Provision for submission of applications, documents, annual return, fee, etc. and issue of certificates in digital form (Section 120A).

G. Others

1. Provision for voluntary merger of State level cooperative societies with multi-State cooperative societies with resolution backed by not less than 2/3rd majority of members (Section 17).

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2. Government shareholding not to be redeemed without prior approval of Government. Redemption to be on face / book value of shares (Section 35).
3. Option to organize multi-state co-operative societies formed by reorganization of States into co-operative societies by successor states (Section 103).
4. In case of a multi-State cooperative society carrying on the business of banking, the provisions of Banking Regulation Act, 1949 to apply in relation to Banking activities while provisions relating to incorporation, regulation and winding up shall be governed by this Act (Section 120B).

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Annexure II
Draft Bill

	THE MULTI-STATE CO-OPERATIVE SOCIETIES (AMENDMENT) BILL, 2022	
	A BILL	
	to amend the Multi-State Co-operative Societies Act, 2002.	
	BE it enacted by Parliament in the Seventy-third Year of the Republic of India as follows: —	
	1. (1) This Act may be called the Multi-State Co-operative Societies (Amendment) Act, 2022.	Short title and commencement.
	(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint; and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act, shall be construed as a reference to the coming into force of that provision.	
39 of 2002	2. In the Multi-State Co-operative Societies Act, 2002 (hereinafter referred to as the principal Act), in section 3, —	Amendment of section 3.
	(a) For clause (d), the following clause shall be substituted, namely: —	
	(d) Central Registrar means Central Registrar of Cooperative Societies appointed as per article 243ZH(f) of the Constitution read with sub section (1) of section 4 and includes any officer empowered to exercise the powers of the Central Registrar under sub-section (2) of that section.	Change in the definition of Central Registrar,
	(b) after clause (f), the following clause shall be inserted, namely: —	
	“(fa) “Co-operative Ombudsman” means the Ombudsman appointed by the Central Government under section 85A;”;	Definition of Co-operative Ombudsman

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	(c) in clause (i), for the words "co-operative year", the words "co-operative year or financial year" shall be substituted; and	
	(d) after clause (j), the following clause shall be inserted, namely: —	
	'(ja) "Election Authority" means the Co-operative Election Authority;'	Definition of Co-operative Election Authority
	3. In section 7 of the principal Act,—	Amendment of section 7.
	(a) in sub-section (1), for clause (d), the following clause shall be substituted, namely:—	
	"(d) that the aggregate value of the paid up capital and provision of reserves along with liquidity, exposure and other prudential norms provided in the bye laws of the proposed multi-State co-operative society in the business of thrift and credit shall be such as may be prescribed by the Central Government:	Prescription of Financial norms
	<p>Provided that if the liquidity, prudential, exposure and other parameters of the Multi-State Credit Society do not meet the norms as prescribed above, the Central Registrar shall have powers to issue such directions as deemed fit to the Multi State Cooperative Society to take corrective action.</p> <p>Provided further that the already registered Multi State Cooperative Societies will get a time period of five years to meet the prescribed norms</p> <p>Provided also that in the case of multi-State co-operative banks, the aggregate value of the paid up capital and provision of reserves along with liquidity norms provided in the bye laws of the proposed co-operative banks shall be such as may be laid down by the Reserve Bank from time to time;</p>	
	(b) Following clause (e) shall be inserted: -	

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	(e) that the proposed bye-laws are not contrary to the provisions of this Act and the rules made thereunder."	
	(c) for sub-sections (2) and (3), the following sub-sections shall be substituted, namely:—	
	"(2) The application for registration shall be disposed of by the Central Registrar within a period of three months from the date of receipt of such application by him:	Time Period for Registration
	Provided that the said period of three months may be extended up to two months by the Central Registrar on the request of applicant to rectify his application.	
	(3) Where the Central Registrar refuses to register a multi-State cooperative society, he shall communicate the order of such refusal stating therein the reasons for such refusal, to the applicant within the period specified in sub-section (2):	Refusal by Central Registrar to register the society
	Provided that no order of refusal shall be made, unless the applicant has been given an opportunity of being heard:	
	Provided further that if the application for registration is not disposed of within the period specified in sub-section (2) or the Central Registrar fails to communicate the order of refusal within that period, the application shall be deemed to have been accepted for registration and the Central Registrar shall issue the registration certificate in accordance with the provisions of this Act and the rules made thereunder."	
	4. (a) In section 10 of the principal Act, in sub-section (2), in clause (a), for the word "address", the words and brackets "address (including e-mail address)" shall be substituted.	Amendment of section 10 to include e-mail address.
	(b) The following clause shall be substituted in place of clause (zk), namely-	
	(zk) the procedure for deciding the number of employees, their designation and recruitment including that of CEO, provided that the procedure for recruitment will be subject to such rules as prescribed by Central Government in this respect, if any.	Procedure & norms followed for recruitment by the society to be included in

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		Bye-laws
	(c) Following clause (zl) shall be inserted: -	
	(zl) any other matter which may be prescribed	
	5. (a) In section 14 of the principal Act, from the title of the section, word 'change of' to be dropped.	Amendment of section 14.
	(b) In section 14 of the principal Act, the following words shall be inserted after address: 'including e mail address'	Inclusion of E-mail address
	6. In section 17 of the principal Act,— (a) after sub-section (9), the following sub-section shall be inserted, namely:—	Amendment of section 17.
	"(10) Any State co-operative society may, by a resolution passed by majority of not less than two-thirds of the members present and voting at a general meeting of such society, decide to merge into a multi-State co-operative society."	Merger of State society with a Multi-State Society
	Provided that such resolution shall be subject to the provisions of the respective State Cooperative Societies Act for the time being in force under which such society is registered.	
	7. In section 19 of the principal Act, in sub-section (2)(a)	Amendment of section 19.
	(a) Clause (iii) to be deleted.	Change in definition of Subsidiary Institution
	8. In section 22 of the principal Act, sub-section (5), clause (c), shall be substituted by the following, namely: -	Amendment of section 22.
	"(c) the co-operative society shall be deemed to be de-registered under the law relating to co-operative society for the time being in force in that State, from the date of the certificate as signed by the Central Registrar and forwarded to	Deemed de-registration

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	such co-operative society, along with a copy of the registered amendment under sub-section (3)."	
	9. (a) In the proviso to section 26 of the principal Act, after words, "members shall", the following will be deleted: "be entitled to subscribe the shares of such society or" (b) and following proviso shall be inserted:	Amendment of section 26.
	Provided that nominal/ associate members can be issued non-voting shares which will not confer any interest in the management of multi-State Cooperative society including right to vote or to be elected as a director of the Board or participate in the general body meetings.	Provision of non-voting shares
	Provided also in case of multi-State Cooperative Banks, such shares will be issued in accordance with RBI instructions issued from time to time.	
	10. In section 28 of the principal Act, for the words "to the society in respect of membership," the words "of all dues to the multi-State cooperative society including the payment in respect of membership or has availed minimum level of products or services as specified in the bye-laws," shall be substituted.	Amendment of section 28. Exercise of rights only by active members
	11. In section 29 of the principal Act, for clause (b), the following clause shall be substituted, namely:—	Amendment of section 29.
	"(b) he fails to use the minimum level of the products or services as specified in the bye-laws for two consecutive years; or".	Active participation by members
	12. In section 30 of the principal Act, in sub-section (2), for the words "one year", the words "three years" shall be substituted.	Amendment of section 30. Increase in period of expulsion
	13. For section 35 of the principal Act, the following section be substituted, namely:—	Substitution of new section for section 35.

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	"35(1). The shares of the authorities referred to in clauses (c) and (d) of sub-section (1) of section 25, held in multi-State co-operative societies,—	Redemption of shares.
	(a) shall not be redeemed without the prior approval of such authorities; and	
	(b) may be redeemed in the manner as may be agreed upon between the multi-State co-operative society and such authorities.	
	(2) The shares held in a multi-State co-operative society by any of the authorities referred to in clauses (e) to (g) of sub-section (1) of section 25, shall be redeemed in accordance with the bye-laws of such multi-State co-operative society and in case, where the bye-laws do not contain any provision in this regard, in the manner, as may be agreed upon between the multi-State co-operative society and such authorities.	
	(3) The redemption of shares referred to in sub-sections (1) and (2), shall be on the face value or book value of shares, whichever is agreed upon by such authorities.	
	'Explanation. —For the purposes of this sub-section, the term "book value" means the value of the shares as shown in the books of account taking into account the total share capital, free reserves and surpluses.'	
	14. In section 39 of the principal Act, in sub-section (1), after clause (o), the following clause shall be inserted, namely:—	Amendment of section 39.
	"(p) appointment of auditor."	
	15. In section 41 of the principal Act,—	Amendment of section 41.
	(a) for sub-section (3), the following sub-section shall be substituted, namely:—	
	"(3) The Board shall consist of such number of directors not exceeding twenty-one, as may be specified in the bye-laws, out of which one member shall be Scheduled Caste or	Reservation in Board,

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	Scheduled Tribe and two shall be women in the Board of multi-State Co-operative Society consisting of individuals and having members from such class or category of persons:	
	Provided that the Board may co-opt as members of the Board having experience in the field of banking, management, cooperative management and finance or having specialisation in any field relating to the objects and activities undertaken by such multi-State co-operative society.	Co-opted members to possess special knowledge
	Provided further that the number of such co-opted members shall not exceed two in addition to twenty-one directors specified in clause (3) above.	
	(4) The co-opted directors referred to in sub-section (3) shall not have the right to vote in any election of the office bearers or be eligible to be elected as office bearers of the Board.	
	(5) The functional directors in a co-operative society shall also be the members of the Board and such directors shall be excluded for the purpose of counting the total number of directors specified in sub-section (3).	
	(6) No director of a multi-State co-operative society shall, as a director, be present in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of such multi-State cooperative society, if he or his relative is directly or indirectly concerned or interested in such contract or arrangement. No relative of any of the sitting Directors of the multi-State Cooperative Society shall be recruited as employee including CEO of that Society.	Related party transactions and Prohibition on recruitment of relatives of directors
	<i>Explanation.</i> —For the purposes of this sub-section, the term, “relative” with reference to an individual, includes—	Definition of ‘Relative’
	(a) spouse; (b) father (including step father), (c) mother (including step mother), (d) son (including step son), (e) son's wife,	

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	(f) daughter (including step daughter), (g) daughter's husband, (h) father's father, (i) father's mother, (j) mother's father, (k) mother's mother, (l) son's son, (m) son's son's wife, (n) son's daughter, (o) son's daughter's husband, (p) daughter's son, (q) daughter's son's wife, (r) daughter's daughter, (s) daughter's daughter's husband, (t) brother (including step brother), (u) brother's wife, (v) sister (including step sister), (w) sister's husband, and (x) Hindu undivided family.	
	(7) Any director of the Board who violates the provision of sub-section (6), shall be disqualified for being a member of the Board and deemed to have vacated his office from the date of such meeting of the Board referred to in the said sub-section and such proceedings shall be deemed to be void.	
	16. In section 43 of the principal Act,—	Amendment of section 43.
	(a) in sub-section (1),—	
	(i) In clause (a) after the words “to be insolvent” the words “or has been a director of an insolvent company” shall be inserted;	Disqualification for being member of the Board

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	(ii) in clause (h), after the words “under this Act”, the words “or under any other Act specified in the Third Schedule” shall be inserted;	
	(iii) after clause (n), the following clauses shall be inserted, namely:—	
	“(o) has been disqualified under sub-section (7) of section 41;”;	
	(iv) after sub-section (1), the following sub-section shall be inserted, namely: —	
	“(1A) A member who has been a director of the Board of any multi-State co-operative society or co-operative bank, where such Board has been superseded, shall not be eligible to be elected as director of the Board of another multi-State co-operative society or multi-State co-operative bank for a period of five years, from the date of such supersession:	Director of a superseded board of a society not to be elected
	Provided that no member shall be disqualified under this sub-section unless an opportunity of being heard has been given to such member by the Central Registrar and order for such disqualification has been passed”.	
	(b) in sub-section (2),—	
	(i) Clause (a) to be substituted by: (a) to provide information, documents, personnel, funds or expenses or any other assistance as sought by the Co-operative Election Authority for conducting elections under this Act.	Other conditions for disqualification
	(ii) in clause (c), after the words “general meeting”, the word “; or” shall be inserted;	
	(iii) after clause (c), the following clauses shall be inserted, namely: —	
	“(d) to make contribution to the co-operative education fund referred to in clause (b) of sub-section (1) of section 63 or the Co-operative Rehabilitation, Reconstruction and Development Fund established under section 63A; or	

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	(e) to file annual return specified in section 120 within the time specified therein; or	
	(f) to get the audit of the society conducted within six months of the close of the financial year to which such account relate;	
	Provided that before disqualifying under this sub section, he or she will be given an opportunity of hearing by the Central Registrar."	
	17. For section 45 of the principal Act, the following sections shall be substituted, namely:—	Substitution of new section for section 45.
	"45. (1) The Central Government shall, by notification, establish an Election Authority to be known as the Co-operative Election Authority which shall consist of a Chairperson, a Vice-Chairperson and Members not exceeding three to be appointed by the Central Government in such manner as prescribed on the recommendation of the Selection Committee consisting of such persons as may be prescribed.	Establishment of Co-operative Election Authority
	(2) The head office of the Election Authority shall be at such place as may be notified by the Central Government.	
	(3) A person shall not be qualified for appointment as a,—	
	(i) Chairperson of the Election Authority unless he held the post of Additional Secretary to the Government of India or equivalent rank; and	
	(ii) Vice-Chairperson of the Election Authority unless he held the post of Joint Secretary to the Government of India or equivalent rank.	
	(iii) Member unless he meets the prescribed criteria	
	(4) The Chairperson, Vice-Chairperson and members of the Election Authority shall hold office for a period of three years from the date on which they enter upon their office or until they attain the age of sixty-five years, whichever is earlier and they shall be eligible for re-appointment.	Term of Office

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	(5) The salaries and allowances payable to, and the other terms and conditions of service of the Chairperson, Vice-Chairperson and members of the Election Authority shall be such as may be prescribed.	Salaries & allowances
	45A. The Chairperson of the Election Authority shall have powers of general superintendence and directions in the conduct of the affairs of the Election Authority and he shall, in addition to presiding over the meetings of the Election Authority, exercise and discharge such other powers and functions as may be prescribed.	Power of Chairperson.
	45B. (1) The Central Government may, by order, remove from office the Chairperson or Vice-Chairperson or members of the Election Authority, if the Chairperson or Vice-Chairperson or member of the Election Authority, as the case may be,—	Removal and suspension of Chairperson, Vice-Chairperson & members.
	(a) has been adjudged as an insolvent; or	
	(b) has been convicted of an offence which, in the opinion of the Central Government involves moral turpitude; or	
	(c) has been physically or mentally incapable of acting as a Chairperson or Vice-Chairperson or member of the Election Authority; or	
	(d) has acquired such financial or other interests, as is likely to affect prejudicially his function as a Chairperson or Vice-Chairperson or member of the Election Authority; or	
	(e) has so abused his position, as to render his continuance in office prejudicial to the public interest; or	
	(f) has engaged at any time during his term of office in any other employment.	
	(2) The Chairperson or Vice-Chairperson or member of the Election Authority shall not be removed from his office except by an order of the Central Government on the ground of his proved misbehavior or incapacity after the Central Government has, on an inquiry, held in accordance with the	

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	procedure prescribed in this behalf by the Central Government, come to the conclusion that the Chairperson or Vice-Chairperson or member of the Election Authority ought to be removed on any such ground.	
	(3) The Central Government may suspend the Chairperson or Vice-Chairperson or member of the Election Authority in respect of whom an inquiry under sub-section (2) is being initiated or pending until the Central Government has passed an order on receipt of the report of the inquiry.	Suspension of Chairperson Vice-Chairperson & members.
	45C. If a casual vacancy occurs in the office of the Chairperson or Vice-Chairperson or member of the Election Authority, whether by reason of his death, resignation or otherwise, such vacancy shall be filled within a period of ninety days by making a fresh appointment in accordance with the provisions of section 45 and the person so appointed shall hold office for the remainder of the term of office for which the Chairperson or Vice-Chairperson or member of the Election Authority, as the case may be, in whose place he is appointed would have held that office.	Filling of casual vacancy.
	45D. The Chairperson and Vice-Chairperson or member of the Election Authority, on ceasing to hold office shall not, for a period of two years, accept any employment (including as consultant or otherwise) in any co-operative society:	Restriction of re-employment.
18 of 2013.	Provided that nothing contained in this section shall apply to any employment under the Central Government or in any State Government or any Corporation established by or under any Central or State Act or a Government Company as defined under clause (45) of section 2 of the Companies Act, 2013.	
	45E. (1) The Election Authority shall meet at such places and times and shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at its meetings), as may be prescribed.	Meetings of Election Authority.
	(2) The Chairperson of the Election Authority shall preside at the meeting of the Election Authority and if for any reason the Chairperson of the Election Authority is unable to attend a meeting of the Election Authority, the	

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	Vice-Chairperson of the Election Authority shall preside at the meeting.	
	(3) All questions which come up before any meeting of the Election Authority shall be decided by a majority of votes of the members present and voting and, in the event of an equality of votes, the Chairperson or the Vice-Chairperson of the Election Authority presiding shall have the right to exercise a second or casting vote.	
	(4) Save as otherwise provided in sub-section (1), every member shall have one vote.	
	45F. The Election Authority shall discharge the following functions, namely:—	Functions of Election Authority.
	(i) conduct elections of multi-State co-operative societies;	
	(ii) supervise, direct and control the matters relating to preparation of electoral rolls; and	
	(iii) such other functions as may be prescribed.	
	45G. (1) No person shall be eligible to be elected as a member of the Board or office bearer of a multi-State co-operative society, unless he is an active member of the general body of that society.	Elections of members of Board.
	<i>Explanation.</i> —For the purposes of this sub-section, the term “active member” shall mean any member—	
	(i) availing minimum level of services or products of the multi-State cooperative society as specified in Bye-laws; and	
	(ii) attending minimum number of general body meeting, as specified in section 29,	
	(2) A member of the Board or office bearer of a multi-State co-operative society shall cease to be such member or office bearer, if he ceases to be a member of general body of that society.	
	(3) The election of members of Board shall be held by secret ballot in such manner as may be prescribed.	

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	<p>(4) The election of a Board shall be conducted before the expiry of the term of the Board so as to ensure that the newly elected members of the Board assume office immediately on the expiry of the term of the office of members of the outgoing Board.</p> <p>The election of the members of the Board shall be held in the general meeting of the members of the multi-State co-operative society. The elected members of the Board shall, if the bye-laws of such society permit, be eligible for re-election.</p>	
	<p>(5) The term of office of elected members of the Board and its office bearers shall be five years from the date of election and the term of office bearers shall be coterminous with the term of the Board:</p>	
	<p>Provided that the Board may fill casual vacancies up to one-third of number of elected directors on the Board by nomination out of the same class of members in respect of which the casual vacancy has arisen, if the term of office of the Board is less than half of its original term. Further, in case such casual vacancies in the same term of the Board exceeds 1/3rd of number of elected directors, such vacancies shall be filled by elections.</p>	
	<p>(6) The expenses for holding elections by the Election Authority shall be borne by the multi-State co-operative society in such manner as may be prescribed.</p>	
	<p>(7) The Central Government may make rules to provide for the powers and the procedure to be followed by the Election Authority for conduct of election of members of the Board.</p>	
	<p>(8) The Chairperson and the Chief Executive of the multi-State co-operative society shall inform the Election Authority, six months before the expiry of the term of the existing Board, to conduct the elections within time.</p>	
	<p>(9) The society in respect of which the election is being held shall provide such infrastructure, personnel, information, documents or other assistance to the Election Authority as it may require.</p>	

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	45H. (1) The Election Authority may appoint a Returning Officer to conduct the election of the multi-State co-operative societies and discharge such functions, as directed by the Election Authority, in such manner as may be prescribed.	Appointment of Returning Officer and other officers.
	(2) The Central Government shall provide such staff and officers to the Election Authority as may be necessary for the efficient discharge of functions by the Election Authority under the Act.	
	(3) The Election Authority may appoint,—	
	(a) such observers as it may consider necessary to supervise the elections and discharge such other functions as may be prescribed;	
	(b) such number of Assistant Returning Officers as it may consider necessary to assist the Returning Officer.	
	45-I. The Election Authority may issue such directions to the Board, its members, Chief Executive and other staff of the multi-State cooperative society as may be necessary for the conduct of free and fair elections and the Board, its members, Chief Executive and staff of the society shall comply with such directions.”	Power to issue directions.
	18. In section 49 of the principal Act, in sub-section (2),—	Amendment of section 49.
	(a) after clause (a), the following clause shall be inserted, namely: —	
	“(aa) To elect the chairperson and Vice Chairperson or President and Vice President of the multi-State cooperative society from amongst the elected members of the Board in accordance with the regulations and directions of the Election Authority:	
	Provided that the Certificate of election shall be issued by the Chief Executive of the Multi State Cooperative Society after the conclusion of resolution of the Board.	Certificate of election

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	19. In section 50 of the principal Act,—	Amendment of section 50.
	(a) in sub-section (1), the following proviso shall be inserted, namely: —	
	“Provided that where the chairperson or president fails to direct the chief executive to convene the meeting of the Board within the quarter, such chief executive shall convene the meeting on the basis of requisition of the vice-chairperson or vice-president or any member of the Board,-	Convening of meeting by CEO
	Provided further that the Chief Executive may also convene meeting on the basis of requisition from at least fifty per cent of members of Board.	
	(b) for sub-section (3), the following sub-sections shall be substituted, namely: —	
	“(3) The Chairperson or President, if for any reason, is unable to attend a meeting of the Board, the Vice Chairperson or Vice President and in the absence of both, any other member of the Board chosen by the members of the Board present from amongst themselves at the meeting, shall preside over the meeting.	
	(4) The quorum for a meeting of the Board of Directors of a multi-State co-operative society shall be one-third of its total number of elected directors.”.	Quorum for Board Meetings
	20. In section 51 of the principal Act, after sub-section (1), the following shall be inserted, namely: —	Amendment of section 51.
	“(1A) No multi-State co-operative society shall appoint or continue the employment of any person as the Chief Executive who—	Criteria to become CEO
	(a) is below the age of twenty-one years or has attained the age of seventy years:	
	Provided that any person above the age of seventy years may be appointed by a special resolution passed by three fourth of the Board members, in which case the explanatory statement annexed to the notice for such	

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	motion shall indicate the justification for appointing such person;	
	(b) is an undischarged insolvent or has any time been adjudged as an insolvent;	
	(c) has at any time been convicted by a court of an offence and sentenced for a period of more than six months.”.	
	(d) does not meet the criteria for ‘fit and proper’, as notified by the Central Registrar in case of multistate credit societies.	
	21. In section 52 of the principal Act, in clause (j), for the words “thirty days”, the words “forty-five days” shall be substituted.	Amendment of section 52. Extension of time period for submission of annual report
	22. In section 53 of the principal Act, for sub-section (1), the following sub-sections shall be substituted, namely:—	Amendment of section 53.
	“(1) The Board may constitute an Executive Committee, and such other committees or sub-committees as may be specified in the bye-laws of the multi-State co-operative society.	
	Provided that the Board shall constitute,—	
	(a) an Audit and Ethics Committee in accordance with the bye-laws;	Audit and Ethics Committee
	(b) a Committee for prevention of sexual harassment at work place.”	Committee on prevention of sexual harassment
	23. (a) In section 63 of the principal Act, after the title, the following words shall be inserted: “and related matters”	Amendment of section 63.
	(b) in sub-section (1), for clause (b), the following clause	

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	shall be substituted, namely:—	
	“(b) credit one per cent to co-operative education fund to be maintained by Central Government in such manner as may be prescribed and proceeds from this fund will be used for Cooperative Education and Training through National Cooperative Union of India or/and any other agency(ies) in such manner as decided by Central Government;”.	Cooperative Education Fund
	24. After section 63 of the principal Act, the following sections shall be inserted, namely: —	Insertion of new section 63A, 63B, 63C.
	“63A. (1) The Central Government shall establish a Fund, to be called the Co-operative Rehabilitation, Reconstruction and Development Fund for revival of sick multi-State cooperative societies as referred to in section 63B and for development purposes in such manner as prescribed and there shall be credited to such fund annually by multi-State cooperative societies which are in profit for the preceding three financial years, ten crore rupees or one percent of the net profits of such multi-State cooperative society whichever is less.	Establishment of Co-operative Rehabilitation, Reconstruction and Development Fund.
	(2) The Central Government shall, by notification, constitute a Committee, consisting of such members as it may deem fit, to administer the Fund, and maintain separate accounts and other relevant records in relation to the Fund in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.	
	(3) The Committee shall spend money out of the Fund for carrying out the objects for which such Fund has been established.	
	63B. (1) If, at any time, the Central Registrar, is of the opinion that a multi-State co-operative society has become sick, he may, by order, declare such society as sick co-operative society.	Rehabilitation and reconstruction of sick multi-State cooperative societies.
	(2) Where a multi-State co-operative society is declared as sick co-operative society under sub-section (1), the Central Government or any person or agency authorised by it, may prepare a scheme for rehabilitation and reconstruction of the	

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	society and hand it over to the society for approval of the general body.	
	(3) The Central Government may, on the recommendation of the general body and to give effect to the scheme for rehabilitation and reconstruction referred to in sub-section (2), reorganise the Board of such society with such persons, having experience in the field of Cooperation, Management, Finance, Accountancy and any other area relating to such societies as may be recommended by the general body:	
	Provided that in respect of a sick multi-State co-operative bank, any scheme for rehabilitation or reconstruction shall be made with the prior approval of the Reserve Bank.	
	<i>Explanation.</i> — For the purposes of this section, the expression “sick co-operative society” means a multi-State co-operative society being a society registered under the provisions of this Act which has accumulated losses equal to or exceeding total of its paid up capital, free reserves and surpluses and has also suffered cash losses in two consecutive financial years immediately preceding the current financial year	
	63C. (1) The Central Government may, on an application made by a multi-State co-operative society which has contributed to the Fund for continuous five preceding financial years, grant such financial assistance as it may consider appropriate to the society out of the Fund for its infrastructural requirement:	Financial assistance to multi-State co-operative societies for development.
	Provided that at least fifty per cent. of the total requirement shall be borne by the multi-State co-operative society and the financial assistance from the Fund shall not exceed more than the fifty per cent of total requirement:	
	(2) The Committee constituted under sub-section (1) of section 63A shall examine and recommend to the Central Government for providing financial assistance to the multi-State co-operative society to such extent and on such terms and conditions as it may consider necessary.”	
	25. In section 64 of the principal Act, —	Amendment of section 64

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		Investment of funds
	(i) For Clause (b), the following clause shall be substituted:	
	(b) In securities issued by Central/ State Government/ Government Corporations/Government Companies/ Authorities/ Public Sector Undertakings or any other securities backed by Government Guarantees; or	
	(ii) In clause (d), the words “any other institution” to be deleted.	
	(iii) For Clause (e), the following clause shall be substituted:	
	(e) “with any other Scheduled Bank; or”	
	(iv) For Clause (f), the following clause shall be substituted:	
	(f) in such other manner as may be prescribed by the Central Government”.	
	(v) Under section 64 of the principal Act, following explanation shall be inserted -	
	Explanation: Scheduled bank means bank included in the Second Schedule of RBI Act, 1934.	
	26. In section 67 of the principal Act,—	Amendment of section 67.
	(a) In sub-section (1), for the words, “ten times”, the words “such multiples as prescribed” shall be substituted.	Revision of Borrowing limit criteria
	27. In section 70 of the principal Act, —	Amendment of section 70.
	(a) In sub-section (2), for the proviso, the following proviso shall be substituted, namely: - “Provided that such auditors or auditing firm shall be appointed from a panel approved by the Central Government or from a panel approved by an authority prescribed by the Central Government in this behalf;	Panel of Auditors to be approved from Central Government,

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	Provided also that in case of multi-State Cooperative Banks, multi-state credit societies with deposits of over 500 crores rupees & multi-state non-credit societies with turnover of over 500 crores rupees, the auditor shall be appointed from the panel of auditors approved for audit of bank/bank branches by the Reserve Bank”.	
	(b) after sub-section (3), the following sub-section shall be inserted, namely: —	
	“(3A) An auditor appointed under sub-section (2) shall submit the audit of accounts report to the multi-State co-operative society, within six months from the date of closing of the financial year, to which such accounts relate.”;	Time period for submission of audit report
	(c) in sub-section (7), in clause (a), for the proviso, the following proviso shall be substituted, namely: —	
	“Provided that where such vacancy is caused by the resignation or death of an auditor, the vacancy shall be filled by the Board from the panel of auditors from which such auditor was appointed.”.	Vacancy of auditor to be filled by Board from the panel of auditors
	(d) after sub-section (9), the following sub-section (10) shall be inserted, namely: --	
	(10) The audit report of the accounts of the National Cooperative Societies as defined in section 3(r) & listed in Second Schedule shall be laid before Parliament as prescribed.	Laying of audit report of National Cooperative Societies before Parliament
	28. After section 70 of the principal Act, the following section shall be inserted, namely: — 70A Concurrent Audit	Insertion of new Section 70A

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	<p>In case of-</p> <p>(i) multi-State cooperative societies having an annual turnover more than the prescribed amount; and</p> <p>(ii) multi-State credit cooperative societies having a deposit of more than the prescribed amount,</p> <p>Concurrent audit shall be carried out by an auditor appointed from a panel of auditors approved by the Reserve Bank of India.</p>	Concurrent Audit
	29. In section 73 of the principal Act, after sub-section (5), the following sub-section shall be inserted, namely: —	Amendment of section 73.
	“(6) The Central Government may prescribe the standard of auditing and accounting to be adopted by a multi-State co-operative society or a class of multi-State co-operative societies:	Standards of auditing and accounting
	Provided that the multi-State co-operative banks shall adopt the standard of accounting and auditing, if any, laid down by the Reserve Bank:	
	Provided further that until such standards of auditing and accounting are prescribed, the auditing standards specified by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949 shall be deemed to be the standard of auditing and accounting.”.	38 of 1949.
	30. In section 78 of the principal Act, after sub-section (1), the following sub-section shall be inserted, namely:—	Amendment of section 78.
	“(1A) If the Central Registrar is satisfied on the basis of information available with him or furnished to him by a Government agency, that the business of a multi-State co-operative society is being carried on for a fraudulent or unlawful purpose, he may, after informing the multi-State co-operative society of the allegations made against it, by a written order, call on the multi-State co-operative society to furnish in writing any information or explanation with the endorsement of the board of the society on matters contained in such order within the time specified therein:	Inquiry into the constitution, working and financial condition of the society

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	Provided that if the Central Registrar is not satisfied with the explanation of the multi-State cooperative society, he shall hold inquiry into the constitution, working and financial condition of such society.	
	(1B) Notwithstanding anything contained in the Act, the Central Registrar suo moto either himself or through an officer or agency authorized by him shall conduct an inquiry into the constitution, working, and financial conditions of such multi-State co-operative societies, normally once in ten years.	Suo-moto inquiry by Central Registrar
	31. After Chapter IX of the principal Act, the following chapter shall be inserted, namely:—	Insertion of new Chapter IXA.
	“Chapter IXA Redressal of Complaints	
	85A. (1) The Central Government may appoint, one or more Co-operative Ombudsmen with territorial jurisdiction for inquiring into the complaints made by any member of a multi-State co-operative society regarding their deposits, equitable benefits of society's functioning or any other issue affecting the individual rights of the concerned member, in such manner, as may be prescribed.	Co-operative Ombudsman.
	(2) The Co-operative Ombudsman shall, on receipt of a complaint, complete the process of inquiry and adjudicate within a period of three months from the date of receipt of the complaint and may issue necessary directions to the multi-State cooperative society during the course of inquiry and the Society shall be bound to comply with the same within a month. The multi-State cooperative society can file an appeal in the prescribed manner against the directions of the Ombudsman within a month before the Central Registrar who shall decide the appeal within 45 days and the decision of Central Registrar shall be final	
	(3) The Ombudsman shall submit periodic reports to the Central Registrar of Co-operative Societies for further action in such manner as may be prescribed.	Periodic reports to be submitted by Ombudsman
	(4) The Co-operative Ombudsman while conducting inquiry	Powers of

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05 of 1908.	under sub-section (1), shall exercise the same powers as are vested in a civil court under the Code of Civil Procedure, 1908,—	Ombudsman
	(a) for summoning and enforcing the attendance of persons;	
	(b) examining them on oath;	
	(c) discovery and production of books of account and other documents; and	
	(d) any other matter which may be prescribed.	
	32. In section 86 of the principal Act,—	Amendment of section 86.
	(a) in sub-section (1), after the words and figures “under section 79”, the words and figures “or section 108” shall be inserted;	
	(b) in sub-section (2), —	
	(i) for clause (a), the following clause shall be substituted, namely: —	
	“(a) Where the number of members or the number of societies or the number of persons, as the case may be, has at any time reduced below the number of members or societies or persons as specified in sub-section (2) of section 6;	
	provided that the society shall be given six-month time to restore the number of members or societies or persons to the requisite number;”	
	(ii) in clause (b), for the words “co-operative principles.”, the words “co-operative principles; or” shall be substituted;	
	(iii) after clause (b), the following clause shall be inserted, namely:—	
	“(c) where the Central Registrar has reasons to believe that the registration was obtained by misrepresentation of facts, submission of false or misleading information, suppression of material facts	Winding up in case of registration obtained by

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	or fraud thereby compromising the spirit of cooperation”.	misrepresentation of facts or fraud
	iv) following proviso shall be added after sub-section (6) Provided that prior to winding up, no objection from institutional lenders who have outstanding loans from the society, shall be required in writing;	
	33. In section 94 of the principal Act, in the opening paragraph, after the words and figures “section 83 or”, the words and figures “section 84 or” shall be inserted.	Amendment of section 94.
	34. In section 98 of the principal Act, in the title, after the word, “Government” the following words shall be inserted: “or under the Act”	
	after sub-section (2), the following sub-section shall be inserted, namely: —	Amendment of section 98.
	(3) The Central Registrar shall also have the power to recover following dues by attaching bank accounts of defaulting multi-State cooperative societies—	Recovery of dues
	(a) the co-operative education fund referred to in clause (b) of sub-section (1) of section 63; or	
	(b) the Co-operative Rehabilitation, Reconstruction and Development Fund established under section 63A; or	
	(c) the expenses incurred by the Co-operative Election Authority for conduct of elections,	
	35. After section 98 of the principal Act, the following section shall be inserted, namely: —	Insertion of new section 98A.
	“98A. The Central Registrar may, on an application received from any party, review his decision under clause (a) or clause (b) or clause (c) of sub-section (1) of section 94:	Review of decision.
	Provided that no application for review shall be entertained against the recovery certificate issued by the Central Registrar or by any person authorized by him in writing in this behalf, unless the applicant deposits with the concerned society, fifty per cent. of	

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	the amount of the recoverable dues:	
	Provided further that no application for review shall be entertained, if made after sixty days of the date of receipt of the decision or order:	
	Provided also that the Central Registrar may entertain any such application made after such period, if the applicant satisfies that he had sufficient cause for not making the application within such period.”.	
	36. In section 103 of the principal Act,—	Amendment of section 103.
	(a) in sub-section (1), the following proviso shall be inserted, namely: —	
	“Provided that where all the successor States take necessary steps to divide or reorganize such deemed multi-State co-operative society into State co-operative societies in order to confine their objects, services and the members to respective States within a period of three years, such deemed multi-State co-operative society shall cease to be a multi-State co-operative society:	
	Provided further that the deemed multi-State co-operative society other than those mentioned in the first proviso shall submit an application for registration and obtain the certificate of registration from the Central Registrar.”	
	37. In section 104 of the principal Act,—	Amendment of section 104.
	(a) in sub-section (1),—	
	(i) after the words “furnishing false information”, the words “or failing to file any return or information” shall be inserted;	
	(ii) for the words “two thousand rupees”, the words “five thousand rupees” shall be substituted;	
	(iii) for the words “ten thousand rupees”, the words “one lakh rupees” shall be substituted;	

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	(b) in sub-section (2), for the words "five thousand rupees", the words "ten thousand rupees" shall be substituted;	
	(c) in sub-section (3),—	
	(i) after the word and figures "section 89", the words and figures "or to a person required to file return under section 120" shall be inserted;	
	(ii) for the words "two thousand rupees", the words "five thousand rupees" shall be substituted;	
	(iii) for the words, "five thousand rupees", the words "ten thousand rupees" shall be substituted;	
	(d) (i) in sub-section (4) clause (h) after the words 'to any person' the words "or receives such gifts, promise or gratification" shall be added. (ii) in sub- section (4) in the long line occurring after sub-clause (iii) of clause (h), after the words "or with both" the words "and debarred from contesting elections for a period of six years" shall be inserted;	
	(e) after sub-section (4), the following sub-section shall be inserted, namely :—	
	"(5) Where a multi-State co-operative society,—	
	(a) which is required to provide an explanation or make a statement during the course of inspection, inquiry or investigation, destroys, mutilates or falsifies, or conceals or tampers or unauthorisedly removes, or causes the destruction, mutilation or falsification or concealment or tampering or unauthorised removal of, any document relating to the property, assets or affairs of the society or makes or causes to make a false entry in any document concerning the society; or	
	(b) makes any investment in contravention of the provision of section 64 or the bye-laws made under this Act; or	
	(c) causes unlawful loss in the assets and property of	

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	the society; or	
	(d) causes unlawful loss to the depositors,	
	<p>the Board of Directors or the responsible officers of the multi-State cooperative society shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to one year or with fine or with both.”</p> <p>Further, the Board of Directors or officers concerned shall also be punishable with imprisonment for a term which shall not be less than one month but which may extend to one year or with fine or with both, if they receive unlawful gains while transacting matters related to the multi-State cooperative society or utilise any assets of the multi-State cooperative society for personal unlawful gains and the proceeds of such unlawful gains shall be recovered from them and deposited in prescribed manner.</p>	
	38. After section 105 of the principal Act, the following section shall be inserted, namely:—	Insertion of new section 105A.
	“105A. The provisions of this Act shall be in addition to, and not in derogation of, any other law for the time being in force.”.	Provisions of this Act not in derogation of any other law.
	39. For section 106 of the principal Act, the following sections shall be substituted, namely:—	Substitution of new sections for section 106.
	“106. (1) Every multi-State co-operative society shall appoint a Co-operative Information Officer to provide information relating to affairs and management of the multi-State cooperative society to the members of the multi-State cooperative society and such information shall be confined to the information falling under the disclosure norms specified by the multi-State cooperative society in its bye-laws.	Appointment of Co-operative Information Officer.
	(2) Any member can make an application in such manner and accompanying such fee as may be prescribed, to get information specified in sub-section (1).	

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	(3) The Co-operative Information Officer shall, within thirty days from the date of receipt of application, either provide the information or reject the application specifying the reason to do so. Appeal can be made to Cooperative Ombudsman against the order of Cooperation Information Officer.	
	106A. Every Chief Executive of a multi-State co-operative society shall keep a copy of the rules and its bye-laws and also a list of its members, open to inspection free of charge at all reasonable times, at the registered address of the multi-State cooperative society.”.	Copy of rules and bye-laws etc. for inspection.
	36. In section 108 of the principal Act, in sub-section (1), in clause (i), after the words “Central Registrar” the words, “or any person authorised by him in this behalf” shall be inserted.	Amendment of section 108.
	37. In section 116 of the principal Act,—	Amendment of section 116.
	(a) for the marginal heading, the following marginal heading shall be substituted, namely:—	
	“Power to amend Schedules”;	
	(b) after sub-section (1), the following sub-section shall be inserted, namely: —	
	“(1A) If the Central Government is satisfied that it is necessary or expedient so to do, it may, by notification, amend the First and Third Schedules and thereupon the said schedules shall be deemed to have been amended accordingly.”	Power to amend schedules
	(c) In sub-section (2), the words “and under sub-section (1A)” shall be inserted after the words “sub-section (1)” .	
	38. In section 120 of the principal Act, for point(f), the following shall be substituted: —	Amendment of section 120. Increased disclosure requirements

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	(f) Disclosure regarding employees who are relatives of members of Board. Definition of 'relative' is as per explanation given under section 41(6).	
	(g) Declaration of any related party transactions by the Board of Directors.	
	(h) Details of Board decisions which were not unanimous.	
	(i) any other information required by the Central Registrar in pursuance of any of the provisions of this Act.	
	39. After section 120 of the principal Act, the following sections shall be inserted, namely:—	Insertion of new sections 120A and 120B.
21 of 2000.	"120A.(1) Notwithstanding anything to the contrary contained in this Act, and without prejudice to the provisions of the Information Technology Act, 2000, the Central Government may, from such date as may be notified, require that—	Filing of applications, documents, inspections, etc. in electronic form.
	(a) such applications, returns, reports, statement of accounts, or any other particulars or document as may be required to be filed or delivered under this Act or the rules made thereunder, shall be filed in the electronic form and authenticated;	
	(b) such document, notice, any communication or intimation, as may be required to be served or delivered under this Act, shall be served or delivered in the electronic form and authenticated;	
	(c) such applications, returns, reports, statement of accounts, registers, bye-laws or any other particulars or documents and returns filed under this Act or the rules made there under shall be maintained by the Central Registrar in the electronic form and registered or authenticated, as the case may be;	
	(d) such inspection of the bye-laws, returns, reports, statement of accounts or any other particulars or	

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	documents maintained in the electronic form, as is otherwise available for inspection under this Act or the rules made thereunder, may be made by any person through the electronic form;	
	(e) such fees, charges or other sums payable under this Act or the rules made thereunder shall be paid through the electronic form; in such manner as may be prescribed,	
	(2) The Central Registrar shall—	
	(a) issue certificate of registration; (b) register the amendment of bye-laws; (c) register change of registered office; (d) register any document; (e) issue any certificate; (f) issue notice; (g) receive such communication as may be required to be registered or issued or recorded or received, as the case may be, under this Act or the rules made thereunder or perform duties or discharge functions or exercise powers under this Act or the rules made thereunder or do any act which is by this Act directed to be performed or discharged or exercised or done by the Central Registrar, in the electronic form in such manner as may be prescribed.	
10 of 1949	120B. In case of a multi-State cooperative society carrying on the business of banking, the provisions of Banking Regulation Act, 1949 shall also apply in relation to Banking activities while provisions relating to incorporation, regulation and winding up shall be governed by this Act.	Application of Banking Regulation Act 1949.
01 of 1956. 54 of 1969. 18 of 2013. 12 of 2003.	40. In section 121 of the principal Act, in sub-section (1), for the words and figures "the Companies Act, 1956" and "the Monopoly and Restrictive Trade Practices Act, 1969", the words and figures "the Companies Act, 2013" and "the Competition Act, 2002" shall respectively be substituted.	Amendment of section 121.
	41. In section 123 of the principal Act, for marginal heading,	Amendment of

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	the following marginal heading shall be substituted: Supersession and suspension of Board of specified multi-state cooperative society	section 123;
	(ii) In section 123 of the principal Act, for sub-section(1), the following sub-section shall be substituted: (1) If in the opinion of the Central Government, the Board of any specified multi-state cooperative society is persistently making default or is negligent in the performance of the duties imposed on it by this Act or the rules or the bye-laws or has committed any act including fraud, embezzlement, etc. which is prejudicial to the interests of the society or its members, or has omitted or failed to comply with any directions given to it under section 122 in public interest or that there is a stalemate in the constitution or functions of the Board or the Cooperative Election Authority has failed to conduct elections in accordance with the provisions of this Act, the Central Government may, after giving the Board an opportunity to state its objections, if any, and considering the objections, if received, by order in writing, remove the Board and appoint one or more administrators, who need not be members of the multi-State cooperative society, to manage the affairs of the multi-State cooperative society for such period not exceeding six months, as may be specified in the order which period may, at the discretion of the Central Government, be extended from time to time, so, however, that the aggregate period does not exceed one year	Supersession and suspension
	Provided that while taking a decision for supersession or suspension on grounds of failure to conduct election, the fact whether the Board had given requisition to the Cooperative Election Authority in the prescribed manner and time limit to hold election and extended necessary assistance as per provisions of Section 45, will also be taken into account.	
	Provided that in the case of a multi-State cooperative bank, the provisions of this sub-section shall have effect as if for the words "one year", the words "two years" had been substituted.	

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	Provided also that in case of a multi-State co-operative society carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply:	
	For Explanation in section 123 of the principal Act, the following explanation shall be substituted: <i>Explanation:</i> - For the purposes of Sections 122 and 123, specified multi state cooperative society means any multi state society where there is Government shareholding or loan or financial assistance or any guarantee by the Government.	
	42. In section 124 of the principal Act,— (a) in sub-section (2),—	Amendment of section 124.
	(i) after clause (a), the following clause shall be inserted, namely:—	
	“(aa) aggregate value of the paid up capital and provision of reserves along with liquidity, exposure and other prudential norms for the proposed multi-State co-operative society in the business of thrift and credit under clause (d) of sub-section (1) of section 7.	
	(ii) After clause (b), the following clauses shall be inserted, namely:	
	(ba) the procedure for deciding the number of employees, their designation and recruitment, including that of CEO under sub-section (2) of section 10.	
	(iii) for clause (k), the following clauses shall be substituted, namely: —	
	“(k) the manner of appointment and qualification of Chairperson, Vice-Chairperson and members under sub-section (1) & sub-section (3) of section 45;	
	(ka) the salaries and allowances and other terms and conditions of service of the Chairperson, Vice-Chairperson and members of the Election Authority under sub-section (5) of section 45;	

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	(kb) other powers and functions of Chairperson under sub-section (1) of section 45A;	
	(kc) the procedure and manner of inquiry under sub-section (2) of section 45B;	
	(kd) other functions of Election Authority under section 45F;	
	(ke) the manner of holding elections of members of Board by secret ballot under sub-section (3) of section 45G;	
	(kf) The manner in which a multi-state Cooperative society shall give a requisition to the Election Authority to conduct election as per section 45G(8).	
	(kg) the manner in which expenses shall be borne by a multi-State cooperative society for elections conducted by Election Authority under sub-section (6) of section 45G;	
	(kh) the manner of discharge of function by the Retuning Officer and observers for conduct/supervision of election under sub-sections (1) and (3) of section 45H;”;	
	(iv) after clause (r), the following clause shall be inserted, namely: —	
	“(ra) the manner in which Cooperative Education Fund shall be maintained under sub-section (1) of section 63;	
	(rb) the manner to establish a Fund for revival of sick multi-State co-operative societies and contribution therein under sub-section (1) of section 63A;	
	(rc) the form in which separate accounts and other relevant records in relation to the fund shall be maintained under sub-section (2) of section 63A;	
	(rd) the limit on a multi-state Cooperative society on raising loans and receiving deposits under sub-section (1) of section 67.	

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	(vi) after clause (s), the following clauses shall be inserted, namely: —	
	(sa) authority for approving panel of auditors or auditing firms under sub-section (2) of section 70.	
	(sb) the manner in which the audit report of the accounts of the National Cooperative Societies as defined in section 3(r) & listed in Second Schedule shall be laid before parliament under sub-section (10) of section 70.	
	(sc) Annual turnover and deposits of multi-State cooperative societies which shall get concurrent audit carried out under section 70A.	
	“(sd) the auditing and accounting standards under sub-section (6) of section 73;	
	(se) the manner of appointment of Co-operative Ombudsman and submission of complaints to the Ombudsman under sub-section (1) of section 85A;”;	
	(sf) the procedure to file an appeal by a complainant before the Central Registrar against the directions of the Ombudsman under sub-section (2) of section 85A;	
	(sg) the procedure to submit the report by the Co-operative Ombudsman under sub-section (3) of section 85A;	
	(sh) Other powers of Co-operative Ombudsman under sub-section (4) of section 85A;”;	
	(vii) after clause (w), the following clauses shall be inserted, namely: —	
	(wa) the manner of recovery & deposit of proceeds of unlawful gains under sub-section (5) of section 104.	
	(wb) the manner of applying and fee to be paid for the purpose of obtaining information under sub-	

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	section (2) of section 106;”;	
	(viii) after clause (x), the following clause shall be inserted, namely: —	
	“(xa) the manner of filing applications, documents, inspections, etc., in electronic form and manner of authentication thereof, payment of fees, charges or other sums, the performance or discharge or exercise of duties, functions or powers, etc., under sub-section (1) of section 120A;”;	
	(xb) the manner in which communication shall be received in the electronic form, to be registered or issued or recorded or received, or duties to be performed or functions to be discharged or powers to be exercised or any act directed to be performed or discharged or exercised or done by the Central Registrar, under sub-section (2) of section 120A	
	43. After section 125 of the principal Act, the following sub-section shall be inserted: - (1) If any difficulty arises in giving effect to the provisions of this Amended Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Amended Act as may appear to be necessary for removing the difficulty. Provided that no order shall be made under this section after the expiry of one year from the commencement of this Amended Act. (2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.	Insertion of new Section 125A
	44. After Second Schedule to the principal Act, the following Schedule shall be inserted, namely:—	Insertion of Third Schedule.
	“THE THIRD SCHEDULE [See clause (h) of sub-section (1) of section 43]	
Sl. No.	Name of the Act	Act Number
(1)	the Indian Stamp Act, 1899;	02 of 1899.

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(2)	the Reserve Bank of India Act, 1934;	02 of 1934.
(3)	the Central Excises Act, 1944;	01 of 1944.
(4)	the Industries (Development and Regulation) Act, 1951;	65 of 1951.
(5)	the Prevention of Food Adulteration Act, 1954;	37 of 1954.
(6)	the Essential Commodities Act, 1955;	10 of 1955.
(7)	the Securities Contracts (Regulation) Act, 1956;	42 of 1956.
(8)	the Wealth-tax Act, 1957;	27 of 1957.
(9)	the Customs Act, 1962;	52 of 1962.
(10)	the Prize Chits and Money Circulation Scheme (Banning) Act, 1978;	43 of 1978.
(11)	the Sick Industrial Companies (Special provisions) Act, 1985;	01 of 1986.
(12)	the Securities and Exchange Board of India Act, 1992;	15 of 1992.
(13)	the Foreign Trade (Development and Regulation) Act, 1992;	22 of 1992.
(14)	the Foreign Exchange Management Act, 1999;	42 of 1999.
(15)	the Competition Act, 2002;	12 of 2003.
(16)	the Prevention of Money Laundering Act, 2002;	15 of 2003.
(17)	the Companies Act, 2013.”.	18 of 2013.

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Annexure-IIIMulti State Cooperative Societies (Amendment) Bill, 2022

Tentative financial implications of salaries, allowance and secretarial expenses for setting up of: -

Office of Cooperative Election Authority: -

Sl. No.	Name of the post	Estimated annual salary
1.	Chairperson (Additional Secretary level)	₹36 lakh per annum
2.	Vice-Chairperson (Joint Secretary level)	₹30 lakh per annum
3.	Member (03 Nos.)	₹72 lakh per annum
4.	Secretariat expenses (staff 10 Nos.)	₹120 lakh per annum
5.	Establishment expenditure	₹60 lakh per annum
	Total	₹318 lakh per annum

Cooperative Ombudsmen: -

Sl. No.	Name of the post	Estimated annual salary
1.	Cooperative Ombudsmen (Nos 04 zone wise) (level of the post to be prescribed)	₹96 lakh per annum
2.	Secretariat expenses (staff 10 Nos.)	₹120 lakh per annum
3.	Establishment expenditure	₹60 lakh per annum
	Total	₹276 lakh per annum
	Grand total	₹594 lakh per annum

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