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KARNATAKA ORDINANCE NO. 8 OF 2009

(Promulgated by the Governor of Karnataka in the sixtieth year of the Republic of India and First Published in the Karnataka Gazette Extra-Ordinary on the 30th day of October 2009)

KARNATAKA CO-OPERATIVE SOCIETIES (AMENDMENT) ORDINANCE, 2009

An Ordinance further to amend the Karnataka Co-operative Societies Act, 1959.

Whereas both the Houses of the State Legislature are not in session and the Governor of Karnataka is satisfied that circumstances exist which render it necessary for him to take immediate action to amend the Karnataka Cooperative Societies Act, 1959(Karnataka Act 11 of 1959) for the purposes hereinafter appearing;

Now, therefore in exercise of the powers conferred by clause (1) of Article 213 of the Constitution of India, the Governor of Karnataka is pleased to promulgate the following Ordinance, namely:-

1. Short title and commencement.- (1) This Ordinance may, be called the Karnataka Co-operative Societies (Amendment) Ordinance, 2009.

(2) It shall come into force on such date as the State Government may by notification, appoint and different dates may be appointed for different provisions of the Ordinance.

2. Amendment of Section 2.- In the Karnataka Co-operative Societies Act, 1959 (Karnataka Act 11 of 1959) (hereinafter referred to as the Principal Act), in Section 2,-

(i) after clause (a-1), the following shall be inserted; namely:-

"(a-1-1) '**Agriculture and Rural Development Bank**' means a Co-operative Agriculture and Rural Development Bank registered or deemed to be registered under this Act and admitted as a member of the State Agriculture and Rural Development Bank and includes such class or classes of co-operative societies as may be notified by the Registrar and admitted as members of the State Agriculture and Rural Development Bank."

(ii) after clause (a-2), the following shall be inserted, namely:-

"(a-2-1) '**Backward Class**' means such class or classes of citizens as may be notified by the State Government as backward class in the list from time to time as defined in the Karnataka State Commission for Backward Classes Act, 1995(Karnataka Act No.28 of 1995)"

(iii) after clause (b-1), the following shall be inserted, namely:-

"(b-2) '**Co-operative Credit Structure**' means and includes Primary Agricultural Credit Co-operative Societies by whatever name called, Central Co-operative Banks, State Co-operative Bank, Agricultural and Rural Development Banks and State Agricultural and Rural Development Bank."

(b-3) '**Central Co-operative Bank**' means a federal society engaged in the business of banking.

(b-4) '**Chartered Accountant**' means a member of the Institute of Chartered Accountants of India within the meaning of the Chartered Accountants Act, 1949 (Central Act No.38 of 1949)."

(iv) after clause (f), the following shall be inserted, namely:-

"(f-1) '**Multipurpose Cooperative Society**' means a primary society the object of which is to provide various services including services related to credit, business, industry or consumer durables to its members."

"(f-2) '**National Bank**' means the National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and rural Development Act, 1981 (Central Act No. 61 of 1981)."

(v) after clause (h-1), the following shall be inserted, namely:-

"(h-2) '**Primary Agricultural Credit Co-operative Society**' means a cooperative society as defined under clause (cciv) of Section 5 of Banking Regulation Act, 1949 (Central Act 10 of 1949) and includes a multipurpose cooperative society."

(vi) after clause (j-3), the following shall be inserted, namely

"(j-4) **State Agriculture and Rural Development Bank**' means the Karnataka
operative Agriculture and Rural Development Bank, Limited;

State Co-

(j-5) '**State Cooperative Bank**' means an apex society doing the business of banking."

3. Amendment of Section 12.- In Section 12 of the Principal Act, in sub-section(5), for the words 'interest of such society', the words 'interest of such society or to give effect to the provisions of the Act or Rules made thereunder shall be substituted.

4. Amendment of Section 16.- In Section 16 of the Principal Act, (i) in sub-section (1),-

(i) for clause (a), the following shall be substituted, namely:-

"(a) an individual who needs the services of such co-operative society and is competent to enter into contract under the Contract Act, 1872(Central Act IX of 1872)"

(ii) after clause (a) as so substituted, the following shall be inserted, namely:-

"(a-1) a depositor"

(iii) after clause (g), the following shall be inserted, namely:-

"(h) a self-help group"

Explanation:- A self-help group is a homogeneous group of rural poor comprising of ten to twenty members, voluntarily formed to save small amounts out of their earnings and agreed upon to form a Corpus / Fund to be lent to the members of such group.

5. Amendment of Section 21.- In section 21 of the Principal Act, in sub-section(2), in clause(b), after the words "a firm", wherever they occur, the words "or a self-help group" shall be inserted.

6. Amendment of Section 29.- In section 29 of the Principal Act, after sub-section(4), the following shall be inserted; namely:-

"(5) The nominated member under sub-section (1) shall perform the following duties, namely:-

(a) to attend meetings of the committee;

(b) to ensure that Government policies are implemented;

(c) to register his vote of dissent in all matters in which, according to the best judgement, the resolutions sought to be carried in the committee meetings are not in the interests of the society or of the co-operative movement or are likely to be pre-judicial to the interests of the society or of the co-operative movement;

(d) to register his vote of dissent when the meeting of the committee seeks to pass a resolution contravening any express order of the State Government or of the Registrar or any provisions of the Act or the rules or the bye-laws of the society; and

(e) to keep the Registrar and the Government apprised of such resolution under clause (c) or clause (d) if adopted by majority of votes; "

7. Amendment of Section 29A.- In section 29A of the Principal Act, in sub-section(1), for the words 'the term of office of the elected members of the committee', the words 'the term of office of the members of the committee' shall be substituted.

8. Amendment of Section 29G.-In section 29G of the Principal Act,-

(1) in sub-section (1),-

(i) the words, figures and letter "subject to the provisions of Section 128 A" shall be omitted.

(ii) in the proviso, in item (i), for the words "assisted society", the words "assisted society other than a society in co-operative credit structure" shall be substituted.

(iii) after the first proviso, the following proviso shall be inserted, namely:-

"Provided further that a society in co-operative credit structure shall have the option of getting the chief executive appointed by requesting the Government or the Registrar, as the case may be."

(iv) in sub-section (3), the proviso shall be omitted.

9. Amendment of Section 30.- In Section 30 of the Principal Act, for sub-section (1), the following shall be substituted, namely.-

"(1) If, in the opinion of the Registrar, the committee,-

(a) persistently makes default or is negligent in the performance of the duties imposed on it by this Act or the rules or the bye-laws; or

(b) commits any act which is prejudicial to the interests of the society or its members; or (c)
incurs losses for three consecutive years; or

(d) has serious financial irregularities or frauds which have been detected; or

(e) fails to get its accounts audited for three consecutive years; or

(f) against which there are judicial directives to this effect; or

(g) is otherwise not functioning properly; or

(h) is not functioning in accordance with the provisions of this Act, the rules or bye-laws or any order or direction issued by the State Government or the Registrar including the direction issued under Section 30-B,

the Registrar may, after giving the committee an opportunity to state its objections, if any, by order in writing, remove the said committee, and appoint an administrator to manage the affairs of the society for such period, not exceeding six months, as may be specified by the Registrar. The Registrar may, and for the reasons to be recorded in writing extend the period of such appointment for a further period of six months at a time, and in any case such extension shall not exceed one year in the aggregate:

Provided that the supercession of the committee of a Co-operative Bank shall be done only after consultation with the Reserve Bank of India.

Provided that the supercession of the committee of a society in cooperative credit structure shall be done in accordance with Section 98 O."

10. Amendment of Section 31.- In Section 31 of the Principal Act, in sub-section(1), the words 'or for any other reason' shall be omitted.

11. Amendment of Section 39A.- In Section 39A of the Principal Act, in sub-section (4), the following proviso shall be inserted, namely:-

"Provided that the State Government shall not postpone the elections of a society in co-operative credit structure for a period exceeding three months."

12. Omission of Section 54.- Section 54 of the Principal Act shall be omitted.

13. Substitution of Section 56.- For Section 56 of the Principal Act, the following shall be substituted, namely:-

"56 Mobilisation of Funds.- (1) A co-operative society may mobilise funds in the form of share capital, deposits, debentures, loans and other contributions from,-

- (i) its members; or
- (ii) its depositors; or
- (iii) any other person, institutions and organizations to such extent and subject to such conditions as may be specified in the bye-laws of the co-operative society.

(2) No part of the funds, other than the net profits of a co-operative society, shall be paid by way of bonus or dividend or otherwise distributed among its members:

Provided that a member may be paid traveling allowance, daily allowance or such other allowance or fees for attending meetings of the committees or for performing any other functions as a member or remuneration for any services rendered by him to the co-operative society on such scale as may be laid down in the bye-laws."

14. Amendment of Section 58.- In Section 58 of the Principal Act, for clause(e) and the proviso, the following shall be substituted, namely:-

"(e) with any scheduled bank or financial institution regulated by the Reserve Bank of its choice.

Provided that in the case of a Co-operative Bank, such investment shall be made in accordance with the instructions and directives issued by the Reserve Bank from time to time." **15. Amendment of Section 59.-** In Section 59 of the Principal Act, in sub-section (1), the words "as may be prescribed or" shall be omitted.

16. Amendment of Section 63.- In Section 63 of the Principal Act,-

(i) for sub-section (1), the following shall be substituted, namely:-

"(1) Every co-operative society shall get its accounts audited atleast once in each year by the Director of Co-operative Audit or by a person authorised by him by general or special order in writing in this behalf."

(ii) in sub-section (3), the words "or the authorised person," shall be omitted.

(iii) in sub-section (4), the words "or the person authorised", shall be omitted.

(iv) in sub-section (6), for the words "or any officer", the words "or the person" shall be substituted.

(v) after sub-section (11), the following shall be inserted, namely,-

“(12) Without prejudice to provisions of sub-section (3), the auditor shall inquire,-

- (a) whether loans and advances made by the cooperative society on the basis of security have been properly secured and whether terms on which they have been made are not prejudicial to the interests of the cooperative society or its members;
- (b) whether transactions of the cooperative society which are represented merely by book entries are not prejudicial to the interests of the cooperative society;
- (c) whether personal expenses have been charged to revenue account; and
- (d) where it is stated in the books and papers of the cooperative society that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance-sheet is correct, regular and not misleading.
- (e) whether any special issue or subject matter referred to for enquiry by the Reserve bank or the National Bank has been duly enquired into and report thereof is submitted to the Reserve Bank or the National Bank as the case may be

(13) The auditor shall make a report to the members of the co-operative society on the accounts examined by him and on every balance sheet and profit and loss account and on every other document required to be part of or annexed to the balance sheet or profit and loss account, which are placed before the cooperative society in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view,-

- (a) in the case of the balance sheet, of the state of the cooperative society's affairs as at the end of the year; and
- (b) in the case of the profit and loss account, of the profit or loss for the year.

(14) The auditor's report shall also state-

- (a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit;
- (b) whether in his opinion, proper books of accounts have been kept by the cooperative society so far as appears from his examination of those books, and proper returns adequate for the purpose of his audit have been received from branches or offices of the cooperative society not visited by him;

(c) whether the report on the accounts of any branch office audited by a person other than the cooperative society's auditor has been forwarded to him and how he has dealt with the same in preparing the auditor's report;

(d) whether the cooperative society's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account and returns.

(15) Where any of the matters referred to in clauses (a) and (b) of sub-section (13) or in clauses (a), (b), (c) and (d) of sub-section (14) is answered in the negative or with a qualifying observation, the auditor's report shall state the reason for the answer."

17. Amendment of Section 76.- In Section 76 of the Principal Act, clauses (b) and (c) shall be omitted.

18. Insertion of Chapter XI-A.- After chapter XI of the Principal Act, the following chapter shall be inserted, namely:-

"Chapter XI-A

SPECIAL PROVISIONS APPLICABLE TO SOCIETIES IN CO-OPERATIVE CREDIT STRUCTURE

98A. Application of this Chapter.- This chapter shall apply only to co-operative societies in co-operative credit structure.

98B. Overriding effect of Chapter XIA.- Notwithstanding anything contrary or inconsistent contained in any other chapter of this Act or rules framed there under or bye-laws of any co-operative society or orders issued there under, the provisions of this chapter shall have overriding effect in respect of societies in co-operative credit structure.

98C. Approval of bye-laws.- (a) The bye-laws or any amendment to the bye-laws of a co-operative credit structure society shall be registered by the Registrar within thirty days from the date of receipt of the application.

(b) If the Registrar is satisfied that the proposed bye-laws or the amendments to the bye-laws are contrary to the provisions of the Act and the rules made thereunder, he shall reject the same duly recording reasons thereon within thirty days from the date of receipt of the application.

98D. Ensuring membership to Depositors.-

(1) Every person or group holding a minimum deposit of rupees five thousand for a continuous period of minimum one year in a primary agricultural credit co-operative society shall become a member of the society by subscribing the minimum share capital specified in the bye-laws and shall have full membership and voting rights:

Provided that a person having deposit of less than rupees five thousand for a period of less than one year shall remain a nominal member.

(2) A borrower group shall become a member of a primary agricultural credit cooperative society under sub-section (1) of Section 16 by subscribing the prescribed share capital specified in the bye-laws and shall have full voting rights.

(3) Every depositor group or borrower group admitted as a member under sub-section (1) of Section 16 shall be entitled to vote through one delegate nominated by the group.

98E. Right in all financial and internal administrative matters.- A Co-operative society under Co-operative Credit Structure shall have right to decide its financial and internal administrative matters, which include:-

(i) the interest rates on deposits and loans

Provided that in the case of the State Co-operative Bank and a Central Co-operative bank, the interest rates shall be in conformity with the guidelines issued by the Reserve Bank;

(ii) the borrowing, investment, depositing its surplus funds, loaning policies (including individual loans) and other business policies;

(iii) the personnel policies including issues relating to recruitment, promotion, staffing, training, posting and compensation to staff as per business requirements of the society; (iv) the internal checks and control systems, appointment of auditors, compensation for the audit and other internal administrative issues; and

(v) the borrowing from any financial institution regulated by the Reserve Bank of India, keeping in mind the interest of the society and its members."

98F. Limit on State Government's subscription.- The State Government's subscription in the share capital of any Society under the Co-operative Credit Structure shall not exceed twenty-five percent of the total paid up share capital of such society:

Provided that the State Government may further reduce its contribution or such society shall have option to further repay the subscription of the State Government and if the society intends to repay the subscription of the State Government, it shall not be prevented from doing so by the State Government.

98G. Restriction on number of Government Nominees.- (1) Where the Government has subscribed to share capital, there shall be only one nominee of the State Government in the Committee of the State Cooperative Bank or a Central Cooperative Bank or the State Agriculture and Rural Development Bank or a Agriculture and Rural Development Bank.

(2) There shall be no nominee of the State Government in the Committee of a primary agricultural credit cooperative society irrespective of whether the State Government has subscribed to the share capital of such society or not.

98H. Right for affiliation or disaffiliation with a federal society.- (1) A Co-operative Credit Structure society registered under Karnataka Co-operative Societies Act, 1959 shall be eligible to become a member of a Federal cooperative or a Secondary co-operative registered under the provisions of Karnataka Souharda Sahakari Act, 1997.

(2) A co-operative registered under Karnataka Souharda Sahakari Act, 1997 may become the member of a Federal society or a Secondary society registered under Karnataka Cooperative Societies Act 1959.

(3) A co-operative society under the Co-operative Credit Structure shall be at liberty to affiliate or disaffiliate with any Federal society or a Secondary society of its choice keeping in view the financial position of the Federal society or the Secondary society:

Provided that a resolution approving such affiliation or disaffiliation with a Federal society or a Secondary society shall be passed in the annual general meeting held for the purpose with three fourths majority of the total members:

Provided further that before dis-affiliation, the society shall discharge its financial liability, if any, to the society from whom it is dis-affiliating.

98I. Restriction regarding area of operation.- A co-operative society under Co-operative Credit Structure shall have the freedom of entry and exit at any tier and there shall be no mandatory restrictions of geographical boundaries for the conduct of its business operations.

98J. Freedom of investment and deposit.- A co-operative Society under the Co-operative Credit Structure may, subject to the guidelines of the Reserve Bank, if any, invest or deposit its funds in any Bank or financial institution regulated by the Reserve Bank and not necessarily in the federal society to which it is affiliated.

98K. Freedom of borrowings.- A co-operative society under Co-operative Credit Structure may obtain loans from any Bank or financial institution regulated by the Reserve Bank and refinance from National Bank or any other financial institution directly or through any Reserve Bank regulated financial institutions and not necessarily from the federal society to which it is affiliated.

98L.Guidelines for payment of dividend.- A primary agricultural credit cooperative society may pay dividend in accordance with the guidelines framed by the Registrar in consultation with the National Bank.

98M. Contribution to any fund.- The Registrar shall have no powers to direct any co-operative society in Co-operative Credit Structure to contribute to any funds other than those required for improving its net worth or own funds.

98N. Disqualification of members of the committee of Co-operative Credit Structure.- No person shall be elected, nominated or co-opted or allowed to continue as a member of the committee of a society in co-operative credit structure, if he.-

(i) is a person who represents a society other than a primary agricultural credit cooperative society or a Agriculture and Rural Development Bank on the Committee of a Central Co-operative Bank or the State Co-operative Bank or the State Agriculture and Rural Development Bank, if such society which he represents has committed a default towards the payments of such Bank on intimation of such defaults by the Chief Executive of the bank concerned;

(ii) is a person who is a defaulter to discharge the liabilities to a primary agricultural credit cooperative society or a Agriculture and Rural Development Bank or represents a primary agricultural credit cooperative society or a Agriculture and Rural Development Bank on the committee of a Central Co-operative Bank or the State Cooperative Bank or the State Agriculture and Rural Development Bank, if such society which he represents has committed a default towards the payments of such Bank on intimation of such defaults by the Chief Executive of the bank concerned;

(iii) is a person,-

- (a) who represents a society whose committee is superseded, or
- (b) who is not a member of such society, or
- (c) who is in default to the society or any other co-operative society in respect of any loan taken by him or has any dues of the society on the date of filing of nomination, or
- (d) who has directly or indirectly, any interest in any subsisting contract made with the society or in any property sold or purchased by the society or in any other transaction of the society, except in any investment made in, or any loan taken from the society, or
- (e) against whom any proceeding for surcharge under section 69 relating to any cooperative society is pending, or
- (f) against whom a criminal proceeding relating to any transaction of a any co-operative society is pending in which cognizance has been taken.

98O. Supersession of the Co-operative Credit Structure.- (1) The supersession of the committee of the State Co-operative Bank or a central co-operative bank shall be done by the Registrar only after prior consultation with the Reserve Bank.

(2) The supersession of the committee of a Primary Agricultural Credit Co-operative Society shall be done by the Registrar only on the following grounds, namely: -

- (a) if a society incurs losses for three consecutive years, or
- (b) if serious financial irregularities or frauds have been committed, or
- (c) if there are judicial directives to this effect, or
- (d) if there is lack of quorum for three consecutive meetings, or
- (e) if there is a failure in getting the audit conducted as per the Act, or
- (f) if there is willful disobedience or failure to comply with any lawful direction / guidelines issued by the Registrar.

98P. Elections.- (1) The election to the committee of a co-operative society under the Co-operative Credit Structure shall be conducted before the expiry of the term of the existing Committee and in case of supersession of the committee of such co-operative society, the election shall be conducted within two months from the date of supersession:

Provided that in circumstances beyond control, the State Government may allow holding of such elections within a period not exceeding six months from the date of supersession.

(2) A member of the committee of a Primary Agriculture Credit Cooperative Society which has been superseded under this Act shall not be eligible to be re-elected, re-appointed, re-nominated or re-co-opted as a member of the committee for a period of four consecutive years from the date of supersession.

98Q. The Prudential norms.- The prudential norms including Capital to Risk Weighted Assets Ratio shall be prescribed by the Registrar for all the Primary Agricultural Credit Cooperative Societies in consultation with the National Bank.

98R. Removal of Directors and Chief Executive Officers.- (1) The members of the committee or chief executive officers of the State Co-operative Bank and Central Co-operative Banks shall fulfill the criteria stipulated by the Reserve Bank for the time being in force.

(2) A member of the committee of the State Cooperative Bank or a Central Co- operative Bank or a person holding the post of chief executive officer who does not fulfill the criteria stipulated by the Reserve Bank shall be treated as ineligible for such post and if such person is holding the post, he shall be removed by the Registrar or the appointing authority, as the case may be, within two months of being so advised by the Reserve Bank or the National Bank. However, the existing elected members of the committee holding their post as such members on the date of the commencement of Karnataka Cooperative Societies (Amendment) Ordinance 2009 shall continue to hold their offices till the expiry of their remaining term.

98S. Co-option of professionals in the committee.- (1) The managing committee of the State Cooperative Bank or Central Co-operative Banks shall have at least such number of professionals having special knowledge or experience in such fields as may be stipulated by the Reserve Bank from time to time and if such number of professionals do not get elected, the committee of that society shall, to the extent of the shortfall, co-opt professionals having special knowledge or experience in such fields as may be stipulated by the Reserve Bank. The co-opted members shall have all the rights of members inclusive of voting right and the term of such members shall be co-extensive with the term of other elected members.

(2) if any person who, in the opinion of the Reserve Bank or the National Bank, has been co-opted as a member of the committee without having the requisite special knowledge or experience in such fields as may be stipulated by the Reserve Bank, the committee of such society shall ensure removal of that person within two months of being so advised by the Reserve Bank or the National Bank, after giving him an opportunity of being heard.

98T. Audit of accounts.- The State Co-operative Bank and a Central Co-operative Bank shall cause audit and certification of its accounts by a Chartered Accountant selected by it from the panel approved by the National Bank.

98U. Special audit of Co-operative Credit Structure.- The Director of Co-operative Audit shall arrange to conduct the special audit of the State Cooperative Bank or Central Co-

operative Banks on the request of the Reserve Bank in the manner and form stipulated by the Reserve Bank and also arrange to furnish a copy of the report of such special audit to the Reserve Bank and National Bank within the time stipulated. The provisions relating to audit of accounts made under this Act shall also apply to such special audit.

98V. Restriction for using the word 'Bank'. - No primary agricultural credit society or its federation or association shall, except those which are permitted to act as a Bank under the Banking Regulation Act, 1949 (Central Act 10 of 1949), be registered with the word 'Bank', 'Banker', 'Banking' or any other derivative of the word 'Bank' in its registered name or shall use the same as a part of its name:

Provided that where any primary agricultural credit society or its federation or association, except those which are permitted to act as a Bank under the Banking Regulation Act, 1949 (Central Act 10 of 1949), has been registered with the word '**Bank**' or any of its derivatives as a part of its name or has been using the same as a part of its name before the commencement of the Karnataka Co-operative Societies (Amendment) Ordinance 2009, it shall within three months from the date of such commencement, change its name so as to remove the word '**Bank**' or its derivative, if any, from its name:

Provided further that where any such society fails to comply with the above provisions within the period specified therein, the Registrar shall order the winding up of such society forthwith.

98W. Abolition of Cadre System.- There shall not be any common cadre in Co-operative Credit Structure and the cadre system shall be abolished.

98X. Implementation of regulatory prescriptions of Reserve Bank.- (1) The Registrar shall ensure the implementation of regulatory prescription given by the Reserve Bank, including recommendation for supersession of the committee and winding up of the State Co-operative Bank and Central Co-operative Banks, within one month from the date of receipt of the advice from the Reserve Bank or within such time as may be permitted by the Reserve Bank.

(2) The Registrar shall, on being advised by the Reserve Bank for supersession or winding up, ensure that the administrator or the liquidator as the case may be, is appointed within one month from the date of receipt of the advice from the Reserve Bank or within such time as may be permitted by the Reserve Bank.

(3) If, in the opinion of the Reserve Bank or the National Bank, the chief executive officer of the State Co-operative Bank or a Central Co-operative bank does not fulfill eligibility criteria specified by the Reserve Bank, the Registrar shall direct compliance of the orders of the Reserve Bank or, as the case may be, the National Bank within two months of being so advised by the Reserve Bank or the National Bank.

(4) If in the opinion of the Reserve Bank or the National Bank, a person has been co-opted as a member of the committee of the State Cooperative Bank or a Central Cooperative Bank without having the requisite special knowledge or experience in such fields as may be stipulated by the Reserve Bank, the Registrar shall, on being advised by the Reserve Bank or the National Bank, direct compliance of the orders of the Reserve Bank or, as the case may be, the National Bank within two months of being so advised by the Reserve Bank or the National Bank.

98Y. Exemption by the State Government.- No society in the Co-operative Credit Structure shall be exempted under Section 121 of the principal Act in any manner from the application of the provisions of this chapter without prior consultation with the Reserve Bank or the National Bank."

19. Amendment of Section 100.- In Section 100 of the Principal Act, in sub-section (3), in the explanation,

(1) in item (ii), the words "as may be prescribed by the Registrar" shall be omitted.

(2) for item (iii), the following shall be substituted, namely:-

"(iii) **"seasonal finance"** shall mean the advancing of loans for the purposes enumerated in item (ii) above, such loans being repayable on or before the 31st March following or such other date as may be specified by the financing bank or the credit agency."

20. Amendment of Section 111.- In Section 111 of the Principal Act, for sub-section (2), the following shall be substituted, namely.-

"(2) No prosecution shall be instituted under this Act without the previous sanction of,-

- (a) the Director of Co-operative Audit in respect of matters arising out of audit other than matters relating to co-operative credit structure society;
- (b) the Registrar in respect of all other matters including matters relating to audit in respect of cooperative credit structure society."

21. Omission of Section 128A.- Section 128A of the Principal Act shall be omitted.

22. Power to remove difficulty.- (1) If any difficulty arises in giving effect to the provisions of the Principal Act as amended by this Ordinance, the State Government may, by notification in the Official Gazette, make such provisions as appears to it to be necessary or expedient for removing the difficulty:

Provided that no such notification shall be issued under this section after the expiry of two years from the date of commencement of the relevant provision under the Karnataka Co-operative Societies (Amendment) Ordinance, 2009.

(2) Every notification issued under this section shall, as soon as may be, after it is made, be laid before the State Legislature.

H.R. BHARDWAJ

GOVERNOR OF KARNATAKA

By order and in the name of the Governor of Karnataka

G.K.BOREGOWDA

Secretary to Government

Department of Parliamentary Affairs and Legislation.

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