

Legislative Council.

No. , 1922.

A BILL

To make provision for community settlements and rural credit; to authorise the establishment of rural co-operative associations; and for purposes connected therewith

[SIR JOSEPH CARRUTHERS;—21 *November*, 1922.]

BE it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Legislative Council and Legislative Assembly of New South Wales in Parliament assembled, and by the authority of the same, as follows:—

1. (1) This Act may be cited as the "Community Settlements and Rural Credit Act, 1922." Short title.

(2) This Act shall come into operation upon a date to be fixed by proclamation. Commencement.

Definitions.

2. In this Act, unless the context or subject-matter otherwise indicates or requires—

“Association” means a co-operative society, union, or bank.

“Board of supervision” means a board of mem- 5
bers of a co-operative union or of a co-operative society appointed to supervise the committee of management in its conduct of business.

“Committee of management,” or “committee” means a committee of members of a co- 10
operative union or of a co-operative society appointed to manage and conduct the business and affairs of the union or society.

“Co-operative bank” means a bank incorporated as provided in this Act. 15

“Co-operative society” or “society” means a co-operative society registered or deemed to be registered under this Act.

“Co-operative union” or “union” means a co-operative union registered under this Act. 20

“Member” includes a person joining in the application for registration of a co-operative society, union, or bank, and a person admitted to membership after registration.

“Member-society” includes a society or union 25
joining in the application for registration of a co-operative union or bank, and a society or union admitted to membership after registration.

“Officer” includes chairman, secretary, treasurer, 30
member of committee, or of board of supervision, or other person empowered under the rules to give directions in regard to the business of a co-operative society or union.

“Prescribed” means prescribed by this Act or by 35
regulation made thereunder.

“Registered association,” “registered society,” and “registered union” have a meaning corresponding with that of co-operative society, co-operative union, and co-operative bank respectively. 40

“Registrar”

“Registrar” means the registrar under this Act.

“Regulation” means regulation made under this Act.

5 “Rule” means registered rule for the time being in force of a society or union.

3. (1) The Registrar of Friendly Societies, from time to time appointed and in office under the Friendly Societies Act, 1912, shall be the registrar under this Act. Registrar and deputy registrar.

10 (2) A deputy registrar under this Act may be appointed by the Governor in accordance with the provisions of the Public Service Act, 1902.

(3) The registrar and deputy registrar shall have such powers and perform such duties as may be 15 prescribed.

Rural co-operative associations.

4. (1) Rural co-operative associations may be formed as provided by this Act for promoting the economic interests generally of their members, and in particular 20 for facilitating community settlements and rural credit, in accordance with co-operative principles. Rural co-operative associations.

(2) A rural co-operative association shall be formed with limited liability.

25 (3) A rural co-operative association may be—
(a) a rural co-operative society; or
(b) a rural co-operative union; or
(c) a rural co-operative bank.

5. (1) A rural co-operative society shall consist of at least seven persons. Rural co-operative societies.

30 (2) The society may be formed for any one or more of the following purposes:—

(a) community settlements;
(b) farm loans and rural credit;
(c) purchase of goods of any kind (including farm implements and machinery and agricultural seed) to be supplied to members by way of 35 sale, letting, or otherwise;
(d) manufacture, treatment, and sale of products.

(3)

(3) For the purposes of farm loans and rural credit the society may—

- (a) create and raise funds and make loans therefrom to its members ;
- (b) procure or assist in procuring loans for its members by its guarantee or otherwise ;
- (c) undertake to supervise and report on expenditure of loans.

(4) The society shall be registered under this Act.

Rural
co-operative
unions.

6. (1) A rural co-operative union shall consist of 10 registered societies.

(2) The society may be formed for any one or more of the following purposes :—

- (a) supervising the affairs of its member-societies, and, in particular, auditing their accounts ; 15
- (b) rendering services to and acting on behalf of its member-societies in such ways as the union may deem advisable ;
- (c) promoting the formation of co-operative associations, and in particular of a co-operative 20 bank.

(3) The union shall be registered under this Act.

Rural
co-operative
banks.

7. (1) A co-operative bank shall consist of registered societies or registered unions or both : Provided that in addition the members of the bank may include 25 persons who are members of a registered society.

(2) The bank shall be formed for the purposes of banking business generally and in particular for granting loans and credit to its member-societies and to the members of those societies. 30

(3) The bank shall be incorporated under the Companies Act, 1899, or be incorporated or authorised by any Act hereafter passed for that purpose.

Limited
liability.

8. (1) The liability of the members of a registered association shall be limited either— 35

- (a) to the amount, if any, unpaid on the shares respectively held by them ; or
- (b) to such amount as the members may respectively undertake by or in accordance with the application for the registration of the association to 40 contribute to the assets of the association in the event of its being wound up. (2)

(2) The word "limited" shall be the last word in the name of every association registered under this Act.

5 **9.** Where the liability of the members of a registered association is limited by shares, no member other than a registered society or a registered union shall—

Limited interest.

(a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed ;

10 (b) have or claim any interest in the shares of the association exceeding five hundred pounds.

10. (1) A co-operative society or co-operative union may be registered under this Act on application to the registrar.

Registration of societies and unions.

15 (2) In the case of a co-operative society the application shall be signed by at least seven persons.

(3) In the case of a co-operative union the application shall be signed by a duly authorised person on behalf of every registered society that is a member of the union.

20 (4) The application shall be accompanied by a copy of the proposed rules of the association.

(5) The applicants shall furnish such information in regard to the association as the registrar may require.

25 (6) If the registrar is satisfied—

(a) that the association has complied with the provisions of this Act and the regulations ; and

(b) that the proposed rules of the association are not contrary to the Act or to the regulations—

30 he may, if he thinks fit, register the association and its rules.

11. (1) Upon registration a co-operative society or a co-operative union shall be a body corporate by the name under which it is registered, with perpetual succession and a common seal.

Incorporation of societies and unions.

(2) The body corporate shall have power to hold property, to enter into contracts, to institute and defend actions, suits, and legal proceedings, and to do all things necessary for the purpose of its constitution.

40 **12.** (1) A co-operative bank may be incorporated under Part I of the Companies Act, 1899 :

Registration of co-operative banks.

Provided

Provided that the memorandum of association is signed—

- (a) by a duly authorised person on behalf of every registered union and society that is a member-society of the bank ; and 5
- (b) by every person, if any, that is also a member of the bank, if such persons are less than seven, or by seven of them if they are more than seven.

Restriction as to transfer or charge of shares.

13. The transfer or charge of the share of any person in the capital of a registered association shall be subject to such conditions as to maximum holding as may be prescribed. 10

Use of word co-operative prohibited.

14. (1) No person other than a registered association shall trade or carry on business under any name or title of which the word "Co-operative" is part. 15

(2) Nothing in this section shall apply—

- (a) to any society established under the Building and Co-operative Societies Act, 1902, or the Friendly Societies Act, 1912, or any Act amending the same ; or 20
- (b) to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation. 25

(3) Whoever contravenes the provisions of this section shall be liable to a penalty not exceeding *twenty* pounds ; and in the case of a continuing offence, to a penalty not exceeding *five* pounds for each day on which the offence is continued after conviction therefor. 30

Registered societies.

Member not to exercise rights until payment made.

15. No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership, or acquired such interest in the society, as may be prescribed by the regulations or rules. 35

Votes of members.

16. (1) Where the liability of the members of a registered society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, have one vote only, as a member in the affairs of the society. 40
(2)

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the rules.

5 (3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

10 **17.** A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus, or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

Charge and set-off in respect of shares or interest of member.

15 **18.** Subject to the provisions of this Act, no creditor shall have any remedy against the share or interest of a member in the capital of a registered society, and such share or interest shall not be liable to attachment or sale under a decree or order of any court in respect of any debt or liability incurred by such member, and shall not be property divisible amongst the creditors of any such member upon his bankruptcy.

Share or interest not liable to attachment.

20 **19.** (1) On the death of a member a registered society may transfer the share or interest of the deceased member to the person nominated in accordance with the regulations made in that behalf, or, if there is no person so nominated, to the legal representative of the deceased member, or pay to such nominee or legal representative a sum representing the value of such member's share or interest, ascertained as prescribed:

Transfer of interest on death of member.

30 Provided that the society shall transfer the share or interest of the deceased member to such nominee or legal representative, being qualified in accordance with the regulations and rules for membership of the society, or on his application within three months of the death of a deceased member to any person specified in the application who is so qualified.

(2)

(2) A registered society may pay all other moneys due to the deceased member from the society to such legal representative or nominee.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person. 5

Liability of past member

20. The liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member shall continue for a period of 10 two years from the date of his ceasing to be a member.

Liability of estate of deceased member.

21. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease. 15

Registered societies and unions.

Evidence of registration.

22. A certificate of registration signed by the registrar shall be conclusive evidence that the society or union therein mentioned is duly registered, unless it is proved that the registration has been cancelled. 20

Rules.

23. (1) No amendment of the rules of a registered society or union shall be valid until the same has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the registrar.

(2) If the registrar is satisfied that any amendment of the rules of a registered society or union is not contrary to this Act or to the regulations, he may, if he thinks fit, register the amendment. 25

(3) When the registrar registers the rules or an amendment of the rules of a registered society or union he shall issue to the society or union a copy of the rules or of the amendment certified by him, which shall be conclusive evidence that the same is duly registered. 30

Address of society.

24. Every registered society or union shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall send to the registrar notice of every change thereof. 35

Copy of Act, regulations, and by-laws open to inspection.

25. Every registered society or union shall keep a copy of this Act and of the regulations governing such society, and of its rules, open to inspection free of charge at all reasonable times at the registered address of the society or union. 40

26.

26. (1) The registrar shall audit, or cause to be Audit.
audited by some person or union authorised by him, by
general or special order in writing in that behalf, the
accounts of every registered society or union once at
5 least in every year.

(2) The audit under subsection one shall
include an examination of overdue debts, if any, and a
valuation of the assets and liabilities of the society or
union.

10 (3) The registrar, or any person or union autho-
rised by him by general or special order in writing in
that behalf, shall at all times have access to all the books,
accounts, papers and securities of a society or union,
and every officer of the society or union shall furnish
15 such information in regard to the transactions and
working of the society or union as the person making
such inspection may require.

27. Any register or list of members or shares kept Register of
members to
be evidence.
by any registered society or union shall be prima facie
20 evidence of any of the following particulars entered
therein :—

(a) the date at which the name of any person was
entered in such register or list as a member ;

25 (b) the date at which any such person ceased to be
a member.

28. A copy of any entry in a book of a registered Proof of entry
in book of
society.
society or union, regularly kept in the course of
business, shall, if certified in such manner as may be
prescribed, be received, in any action or legal proceed-
30 ing, as prima facie evidence of the existence of such
entry, and shall be admitted as evidence of the matters,
transactions and accounts therein recorded in every case
where, and to the same extent as, the original entry
itself is admissible.

35 29. (1) A registered society or union shall not Restrictions
on loans.
make a loan to any person other than a member :

Provided that, with the general or special sanction of
the registrar, a registered society or union may make
loans to another registered society or union.

40 (2) The registrar may, by general or special
order, prohibit or restrict the lending of money on mort-
gage by any registered society or union or class of
registered societies.

30.

- Restrictions on borrowing. **30.** A registered society may receive deposits and loans from persons who are not members, but only to such extent and under such conditions as may be prescribed by the regulations or rules.
- Restrictions on transactions with non-members. **31.** Save as provided in the last two preceding sections the transactions of a registered society or union with persons other than members shall be subject to such prohibitions and restrictions, if any, as are prescribed. 5
- Investment of funds. **32.** A registered society or union may invest or deposit its funds— 10
 (a) in the Government Savings Bank ; or
 (b) in any securities in which trust funds are authorised to be invested by any Act ; or
 (c) in the shares or on the security of any other registered society ; or 15
 (d) with any bank or person carrying on the business of banking, approved for this purpose by the registrar ; or
 (e) in any other mode permitted by the regulations. 20
- Funds not to be divided by way of profit. **33.** No part of the funds of a registered society or union shall be divided by way of bonus or dividend or otherwise among its members :
 Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, 25
 payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the regulations or rules. 30
- Contribution to charitable purpose. **34.** Any registered society or union may, with the sanction of the registrar, after one-fourth of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding ten per centum of the remaining net profits to any charitable purpose. 35
- Inquiry by registrar. **35.** (1) The registrar may of his own motion, and shall on the application of a majority of the committee, or board of supervision, or of not less than one-third of the members, hold an inquiry, or direct some person authorised by him by order in writing in that behalf to hold an inquiry, into the constitution, working, and financial condition of a registered society or union, 40

(2) All officers and members of the society or union shall furnish such information in regard to the affairs of the society or union as the registrar or the person authorised by the registrar may require.

5 **36.** (1) The registrar shall, on the application of a creditor of a registered society or union inspect, or direct some person authorised by him by order in writing in that behalf to inspect, the books of the society or union : ^{Inspection of books.}

10 Provided that—

(a) the applicant satisfies the registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time ;
15 and

(b) the applicant deposits with the registrar such sum as security for the costs of the proposed inspection as the registrar may require.

(2) The registrar shall communicate the results
20 of any such inspection to the creditor.

37. Where an inquiry is held or an inspection is made the registrar may apportion the costs, or such part of the costs as he may think right, between the society or union, the members or creditor demanding
25 an inquiry or inspection, and the officers or former officers of the society or union. ^{Cost of inquiry.}

38. Any sum awarded by way of costs may be recovered in any court of competent jurisdiction as a debt due by the person from whom the money is
30 claimable. ^{Recovery of costs.}

39. (1) If the registrar, after an inquiry has been held, or after an inspection has been made, or on receipt of an application made by three-fourths of the members of a registered society or union, is of opinion that the
35 society or union ought to be dissolved, he may cancel the registration of the society or union. ^{Dissolution.}

(2) Any member of a society or union may, within two months from the date of an order made under subsection one, appeal from such order.

40 (3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society or union, the order shall take effect on the expiry of that period. (4)

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the appellate authority

(5) The authority to which appeals under this section shall lie shall be the Minister :

5

Provided that the Minister may, by notification in the Gazette, direct that an appeal shall lie to such court as may be specified in the notification, and in such case such court shall be the appellate authority under this section in respect of the appeal or appeals specified in 10 such notification.

Cancellation
of regis-
tration.

40. The registrar may, by order in writing, cancel the registration of a society or union if at any time it is proved to his satisfaction that the number of the members has been reduced to less than seven, or in the 15 case of a union to less than the prescribed number.

Effect of
cancellation.

41. Where the registration of a society or union is cancelled, the society shall cease to exist as a corporate body.

Appointment
of liquidator.

42. (1) Where the registration of a society or union 20 is cancelled, the registrar may appoint a competent person to be liquidator of the society or union.

(2) A liquidator shall have power—

- (a) to institute and defend suits and other legal proceedings in the name and on behalf of the 25 society or union ;
- (b) to determine the contribution to be made by the members and past members of the society or union respectively to the assets of the society or union ;
- (c) to investigate all claims against the society or union, and, subject to the provisions of this Act, to decide questions of priority arising between claimants ;
- (d) to determine by what persons and in what pro- 35 portions the costs of the liquidation are to be borne ;
- (e) to give such directions in regard to the collection and distribution of the assets of the society

society or union as may appear to him to be necessary for winding up the affairs of the society or union; and

(f) such other powers as may be prescribed.

5 (3) Subject to any regulations, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by
10 the same means and (so far as may be) in the same manner as is provided in the case of a commissioner under the Royal Commissioners Evidence Act, 1901.

(4) Where an appeal from any order made by a liquidator under this section is provided for by the regu-
15 lations, it shall lie to the judge of the district court for the district in which the registered office of the society or union is situated.

(5) Orders made under this section shall, on application, be enforced as follows:—

20 (a) when made by a liquidator, by any court of competent jurisdiction in the same manner as an order of such court;

(b) when made by the judge of a district court on appeal, in the same manner as an order of
25 such court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no civil court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society or union under this Act.

30

General.

43. (1) The Governor may make regulations to Regulations, carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such regulations
35 may—

(a) prescribe the maximum number of shares or portion of the capital of a society or union which may be held by a member;

(b)

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- (b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society or union and the procedure in the matter of such applications; 5
- (c) prescribe the matters in respect of which a society may or shall make rules and for the procedure to be followed in making, altering, and repealing rules, and the conditions to be satisfied prior to such making, alteration, or repeal; 10
- (d) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the exercise of the right of membership; 15
- (e) regulate the manner in which funds may be raised by means of shares or debentures or otherwise; 20
- (f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;
- (g) provide for the appointment, suspension, and removal of the members of the committee, board of supervision, and other officers, and for the payment or non-payment of salaries or allowances to members of the committee, board of supervision, and other officers, and for the procedure at meetings of the committee and board of supervision, and for the powers to be exercised and the duties to be performed by the committee, board of supervision, and other officers; 25 30
- (h) prescribe the accounts and books to be kept by a society or union and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance sheet showing the assets and liabilities of a society or union; 35 40
- (i)

- 5 (i) prescribe the returns to be submitted by a society or union to the registrar, and provide for the persons by whom, and the form in which, such returns shall be submitted ;
- (j) provide for the persons by whom, and the form in which, copies of entries in books of societies or unions may be certified ;
- 10 (k) provide for the formation and maintenance of a register of members, and where the liability of the members is limited by shares, of a register of shares ;
- 15 (l) provide that any dispute touching the business of a society between members or past members of the society, or persons claiming through a member or past member, or between a member or past member or persons so claiming, and the committee or any officer, shall be referred to the registrar for decision or, if he so directs, to arbitration, and prescribe the mode of
- 20 appointing an arbitrator or arbitrators, and the procedure to be followed in proceedings before the registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the registrar or the awards of arbitrators ;
- 25 (m) provide for the withdrawal and expulsion of members, and for the payments, if any, to be made to members who withdraw or are expelled, and for the liabilities of past members ;
- 30 (n) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ;
- 35 (o) prescribe the payments to be made and the conditions to be complied with by members applying for loans, or to whom money has been lent, the persons who may or may not apply for loans, or become sureties for payment of loans, the period for which loans may be made, and the amount which may be lent to an
- 40 individual member ;

(p)

- (p) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society ;
- (q) prescribe the extent to which a society may 5
limit the number of its members ;
- (r) prescribe the maximum rate of dividend which may be paid by societies ;
- (s) provide for the formation of unions, and prescribe the powers, duties, and liabilities of 10
unions ;
- (t) prescribe in what cases an appeal shall lie from the orders of the registrar, and prescribe the procedure to be followed in presenting and 15
disposing of such appeals ; and
- (u) prescribe the procedure to be followed by a liquidator and the cases in which an appeal shall lie from the order of such liquidator.

(3) The regulations may provide for the punishment of offences against this Act or the regulations 20
by the imposition of a penalty not exceeding *one hundred* pounds, or of a term of imprisonment not exceeding *two* years, or of both penalty and imprisonment. Any such punishment may be enforced by conviction before a police or stipendiary magistrate, or any two justices in 25
petty sessions.

(4) The regulations shall be—

- (a) published in the Gazette ;
- (b) take effect from the date of publication or from a later date to be specified in such 30
regulations ; and
- (c) be laid before both Houses of Parliament within fourteen days after publication if Parliament is then in session, and if not, then within fourteen days after the commencement 35
of the next session. If either House of Parliament passes a resolution of which notice has been given at any time within fifteen sitting days after such regulations have been laid before such House disallowing any regulation 40
or part thereof, such regulation or part shall thereupon cease to have effect.