

## Guideline Statute for Co-operatives

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### 1. Name

A Co-operative to be known as “\_\_\_\_\_ **Co-operative Ltd**” is being set up. It will operate both in the Maltese Islands, as well as abroad, according to exigencies.

### 2. Address

The official address of the Co-operative is \_\_\_\_\_ or any other location that the Management Committee may, from time to time, choose. Any such changes must, according to the law, be notified to the Co-operatives Board.

### 3. Aims of the Co-operative

The aims of the Co-operative are the following:

- (a) to provide efficient and viable services to Maltese society including: **[Here insert a general description of the work the Co-operative will be carrying out/is already carrying out];**
- (b) to buy and sell anything the Co-operative needs in order to reach its goals;
- (c) to represent the interests and conduct business with persons and groups, Government Departments, companies and other commercial entities, on behalf of its members and if it sees fit, to enter into partnership agreements with other organisations from diverse sectors of the economy;
- (d) to enter, wherever possible, into negotiation with other Co-operatives thus helping the spirit of Co-operativism and enabling the promotion of Co-operative principles;
- (e) to construct, rent, acquire, sell/buy means of transport, stores, offices, factories and any other business premises in accordance with the needs of the Co-operative thus enabling its members to develop and update their technical capabilities;
- (f) to employ personnel required for its operations;
- (g) to create services that are of an economic and financial advantage for the Co-operative’s members;
- (h) to promote the Co-operative in order to identify markets for business generated by the Co-operative and the work of its members;
- (i) to invest in companies that expand the Co-operative’s operations;
- (j) to take all the necessary action for the implementation of the aims mentioned above or those that are complementary to the same aims.

#### 4. Eligibility for Membership and New Members

4.1 Besides the founding members, other persons are eligible to join the Co-operative as long as the Management Committee accepts their application. Should such application be refused by the Management Committee, the applicant has the right to appeal to a general meeting of the members. In this case the applicant can become a member through a resolution approved by at least two thirds of the members present and voting in that meeting.

4.2 The share value of each member of the Co-operative is Euro \_\_\_\_\_ (€\_\_\_\_\_).

No member can own more than forty percent (40%) of the share capital of a Co-operative.

4.3 To be eligible to be a member of the Co-operative, a person must be eighteen years old, mentally fit, not bankrupt or rehabilitated, and must also ....**[Here insert those needs according to residence, employment, profession or any other requisite particular to your Co-operative (e.g. licence requirements, etc.)].**

4.4 Prospective Co-operative members have to fill and sign an application form which includes a declaration that they accept and conform to the rules of the Co-operative once their application is accepted.

4.5 A person cannot, without the written consent of the Co-operatives Board be a member of this Co-operative and/or of a Co-operative or commercial entity with aims that are practically identical or similar to the aims of this Co-operative or that has commercial activity that in some way, even indirect, results in conflict with the commercial activity of the Co-operative.

4.6 **[NOT MANDATORY]:** Without prejudice to the provision a commercial society can also qualify for membership in the Co-operative as long as:

(a) the operations of the commercial society are completely, similar or equivalent to the operation of the Co-operative;

(b) the commercial society is represented by an individual authorised by a general meeting of the Co-operative and as director or majority shareholder of that society;

(c) the commercial society cannot be a member of any Supervisory Board, where it is established or any Management Committee; and

(d) the Co-operatives Board must be immediately notified of this by both the Co-operative and the commercial society.

**A person cannot be accepted as a member of the Co-operative if s/he is acting as proxy or on behalf of an unidentified person.]**

## **5. Resignations and Expulsions**

- 5.1 In the first four years of the foundation and registration of the Co-operative or in the first four years from when a person becomes a member of the Co-operative [NOT MANDATORY], a member wishing to resign from the Co-operative, must first inform the said Co-operative of his/her intention six months prior to resignation, loses all other benefits derived from the Co-operative in the current year of his/her retirement, pay a fine of €\_\_\_\_\_ [NOT MANDATORY], will be given back his/her nominal share i.e. the value of the share paid by the member on joining the Co-operative. This share has to be returned within\_\_\_\_\_ by means of\_\_\_\_\_ [The method of how the payment is to be effected NOT MANDATORY].**

**[NOT MANDATORY: Notwithstanding where the resignation of a member is justifiable as it results from appropriate medical certificates or from other situations that in the opinion of the Management Committee are considered of an extraordinary nature, that member that indicated his/her intention to resign within the first four years as indicated above, is not liable to pay the fine contemplated and s/he does not lose the benefits owed to him/her from the Co-operative from the year that s/he is going to resign.]**

- 5.2 In the case where, because of the resignation of a member, the complement of the Co-operative would be less than five members, the member who would like to resign is obliged to find a third party willing to buy his/her share in the Co-operative. The third party must be accepted as a Co-operative member according to Article 4 of this statute. This particular member cannot resign from the Co-operative until such transfer of shares is concluded.**
- 5.3 [NOT MANDATORY: The Management Committee reserves the right to strike off the member who has tendered his/her resignation from the moment it is informed in writing by the said member, and if that member had fallen behind with his/her work or in a way s/he owes the Co-operative, the amount due, calculated according to each individual case, is automatically deducted from any payment due to that member;]**

- 5.4 A member can be expelled from the Co-operative:
- (a) if after one verbal and one written warning, that member breaks the code of discipline established by the Management Committee or s/he submits work that falls below the minimum standards established by the Management Committee and expected of the members of the Co-operative or if s/he acts against the interests of the Co-operative.
  - (b) immediately, without any warning, if caught stealing, passing confidential information to third parties or performs any other transgression against the Co-operative or any of the provisions of the Act not mentioned in clause 5.4 (a);
- 5.5 The Management Committee can expel a member as explained in the preceding clause only after the said Management Committee has informed the member of its intentions and of the accusations brought against him/her in writing and has given the chance to the concerned member to defend him/herself and produce proof countering the accusations so that s/he appears before the same Management Committee and argues against the decision of his/her expulsion.
- 5.6 After the Management Committee has informed the member of its intention, in writing and by registered post, the member has fifteen (15) days grace from the notification, in order to appeal the Management Committee's decision before the Supervisory Board where this is functioning or, in its absence, before a general meeting of the members. If the right of this appeal is not exercised, the concerned person automatically ceases to be a member of the Co-operative.
- 5.7 In the case where the Co-operative has a functioning Supervisory Board according to the Act and a member still feels aggrieved by the decision of the Supervisory Board at the time of appeal, s/he still has the right to call an extraordinary general meeting within four (4) days from the Supervisory Board's decision, in order to explain the facts of the case to all the other members of the Co-operative. In this case the result of a two-thirds majority vote of the members present for this meeting is final.
- 5.8 **[NOT MANDATORY: If a member is found guilty by the Management Committee, s/he is suspended and automatically loses the right to be given work by the Co-operative even if the member submits an appeal as outlined in the preceding clauses.]**
- 5.9 Any correspondence relating to the expulsion of a member has to be sent by registered post to the most recent address supplied by the said member to the Co-operative or to the address that appears on that particular member's identity card;

- 5.10 From the date of notice of expulsion, the concerned member cannot hold any position in the Co-operative, loses every right for profits from the said Co-operative, cannot attend meetings of the Co-operative and cannot use the facilities and equipment of the Co-operative and this is done without prejudice to any right that the Co-operative holds against him/her and which includes imposing reasonable and proportional penalties according to circumstances.

## **6. Transfer of Shares “Inter Vivos” and “Causa Mortis”**

- 6.1 A member of the Co-operative can transfer a share or interest that s/he holds in the capital of the Co-operative or a part of it as long as:
- (a) the member has not been in possession of the share or interest for at least one year; and
  - (b) the transfer is in favour of the Co-operative, member of the Co-operative or another person whose application to become a member is accepted by the Management Committee of the Co-operative;
- 6.2 No transfer of a share or other interest is valid and effective unless and until such time as the transfer and the name of the transferee are approved and registered by the Management Committee;
- 6.3 In the case of death of a member, the Co-operative can, after four months from the publication of the death of the concerned member, transfer its share or the other interest of the deceased person to the person that has a right to that share or interest according to law or that it pays to that person the sum that represents the nominal value of the share or interest of the deceased member;

But notwithstanding this provision, if the heir of the deceased member, or in the case where there are multiple heirs, that heir that is appointed by them is eligible for membership in the co-operative according to clauses 4.3 and 4.4 of this statute, the heir has the right to demand and be accepted as a member in the society and that s/he is registered as a member in his/her own name.

- 6.4 Until such time as the share of the deceased member is not taken up by an heir or another person, the share or interest in question is invalid for voting purposes in any general meeting of the members.

## **7. Rights and Obligations of Members**

- 7.1 Every member of the Co-operative has the right, amongst others:
- (a) to participate in the General and Annual Meetings by discussing, voting and where needed electing;
  - (b) to call an Extraordinary General Meeting together with other members in accordance with sub-clause 8.7 of this statute;
  - (c) to utilise the services and facilities of the Co-operative.
- 7.2 Every member has the obligation, amongst others:
- (a) to pay the share capital;
  - (b) to adhere this statute and the resolutions that are, from time to time, issued by the Management Committee and the General Meeting;
  - (c) to accept that any fines that might, from time to time, be imposed by Management Committee, are to be deducted from the payments due to him/her;
  - (d) to contribute to the Co-operative's commercial activity as necessary;
  - (e) to act in accordance with the provisions of Act XXX of 2001 regarding Co-operatives Societies.
- 7.3 Each Co-operative member has only one vote, irrelevant of the number of shares held. This vote must be used by the individual or by means of power of attorney and only if this is in writing. Under no circumstance should a power of attorney represent more than two members during a meeting (including the member holding the power of attorney).
- 7.4 (a) The responsibility of present and past members of the Co-operative, limited to that amount, if any, that is not yet paid on the shares held by said members and under his/her responsibility is known as limited liability.
- (b) The responsibility of a past member for the debts of the society according to the sub-article 7.4 (a) of this statute, is to be limited to those existing on the date of termination of membership and ends two years from that date.
- (c) The responsibility of the heirs of a deceased member is to be limited to the debts of the society as they existed on the date of the member's death and ends two years from that date.

## **8 General Meetings**

- 8.1 There can be two types of general meetings: annual general meetings and those called from time to time, known as extraordinary general meetings;

8.2 The supreme authority of the Co-operative is vested in its members' general meeting. Annual general meetings must be called once a year within six (6) months of the end of the financial year;

8.3 Notice of the Annual General Meeting has to be given in writing, at least fifteen full days before the date of the meeting, to every member or delegate who has the right to attend the meeting;

An urgent extraordinary general meeting, except for an annual general meeting or a general meeting with an agenda to amend the statute, can be called by giving not less than three working days notice.

8.4 Every notice of a general meeting must give the agenda to be discussed and the resolutions to be proposed, and no other subject can be discussed without the consensus of the majority of the members present and voting in that general meeting.

8.5 The proceedings of that meeting cannot be invalidated should notice of a meeting be accidentally not issued to, or if the notice of the meeting is not received by, a person who has the right to receive said notice.

8.6 The functions of the Co-operative's Annual General Meeting are:

- (a) to consider and confirm the minutes of the previous annual general meeting and of every other preceding members' meeting that had not been approved in any other members' meeting;
- (b) to consider the Supervisory Board's, where this set up, the Management Committee's reports, the auditor's report, and every report made by the Co-operatives Board;
- (c) to consider and approve the financial statements;
- (d) to consider and approve the way that any possible net surplus can be distributed or invested;
- (e) to consider, approve and adopt every amendment of the statute;
- (f) to consider and approve any resolutions presented;
- (g) to elect the members of the Management Committee and, if set up, the Supervisory Board;
- (h) to appoint auditors to the Co-operative and to approve of their audit fee;
- (i) to decide on appeals made by persons who had not been accepted as new members by the Management Committee;
- (j) to consider and decide the maximum amount the Co-operative can borrow;
- (k) to hear and decide every complaint that is forwarded by members who felt aggrieved by any Management Committee decision. Notice that such complaints will be aired at the meeting should be handed to the Secretary at least two days prior to the meeting;

- (l) to carry out other work regarding the Co-operative about which notice was accordingly given by members.

8.7 Extraordinary General Meetings of the Co-operative can be convened at any time by the Management Committee however the same Management Committee is bound to set up a meeting:

- (a) upon receiving a signed request from one fourth of the members or 15 members – whichever is the lower – indicating the meeting's proposed agenda;
- (b) upon receiving a request, including the proposed agenda, from the Supervisory Board, where this is set up;
- (c) upon receiving a request, including the proposed agenda, from the Co-operatives Board;
- (d) upon receiving a request from a member in accordance with clause 5.7 of this statute. In this case the Management Committee must convene an extraordinary general meeting within four days of receiving the request.

If, in cases stipulated above in clause 8.7 (a) and (b), the Management Committee fails to call a meeting within one month from receiving the request, the members or the Supervisory Board, depending on the case, as promoters of the request, have the power to call the meeting themselves by means of a notice to all members informing them of the proposed agenda and of the Management Committee's failure to convene the meeting;

8.8 A notice of a general meeting (which is not an annual general meeting) should be sent by post to each member at least seven days before the general meeting. An urgent general meeting can be convened by a notice 24 hours before the meeting and can be communicated by fax, radio or any other means of communication;

8.9 No business can be carried out should a general meeting fail to attract a quorum with the members present. The necessary quorum to start business should be made up of one fourth of the members or delegates, or 15 members or delegates, whichever is the lower, eligible to vote.

If the meeting had been called at the request of the members or delegates, it is dissolved if there are not enough members or delegates to form a quorum thirty minutes after the established time of the meeting. In all other cases, the meeting is adjourned to the same day, time and venue, the following week. The Secretary should send a notice by post to this effect, within forty-eight hours of the adjournment, to the addresses of registered members and others who have a right to attend. If there will be



no quorum for the adjourned meeting thirty minutes after the established time, the members or delegates present form a quorum.

Notwithstanding, a general meeting with such a reduced quorum does not have the power to amend the statute of the Co-operative.

- 8.10 A resolution or decision brought to the general meeting is decided by a simple majority of the members present and eligible to vote.

Notwithstanding, in order that the resolutions mentioned below are approved, a two-thirds majority of those present and eligible to vote is needed:

- (a) the removal from post of a member of the Management Committee or Supervisory Board;
- (b) an appeal made by a member who feels aggrieved by a decision of the Supervisory Board, and in case this is not set up, a decision taken by the Management Committee, to expel him or her;
- (c) decisions regarding applications for membership rejected by the Management Committee;

Besides this, in order that the resolutions hereunder mentioned are approved, there must be a majority of three fourths of the members present and eligible to vote:

- (d) dissolving or liquidation of the Co-operative according to clause 100 et. Sequitur of the Act;
- (e) amalgamation of the Co-operative according to clause 95 et. Sequitur of the Act;
- (f) statute amendments **[NOT MANDATORY because the majority can be higher]**.
- (g) **[NOT MANDATORY: In case that the resolution approved concerns the dissolving of the Co-operative, another general meeting should be convened to confirm this resolution and this in spite of the resolution having been presented and approved at another general meeting.]**

- 8.11 At every general meeting, a resolution presented for approval by vote should be decided by show of hands, except where there are at least two members present, when the number of the members present is less than 20 or at least five members present, in any other case, it will be a secret ballot. The officials' election must always be decided by secret ballot.

## 9. The Management Committee

- 9.1 The Co-operative should have a Management Committee which has to be made up of at least three (3) members and not more than nine (9) members who must include the President, Vice-President, Treasurer and Secretary who must be individual persons. They can only be elected, suspended or removed from office by a majority of the members or delegates present and voting in a general meeting of the Co-operative.
- 9.2 A person cannot be a member of the Management Committee if, while possessing the requisites stipulated in Article 72 of the Act, that person is already a Management Committee member of another Co-operative;
- 9.3 The Management Committee is empowered to manage and direct the affairs and business of the society and, without detriment to each of the restrictions present in the rules or in a resolution approved in the general meeting, the Management Committee can exercise all the necessary powers to ensure good and appropriate administration and direction of the affairs, business and property of the society, except those powers reserved to the general meeting of the members. In particular, the functions of the Management Committee should include:-
- (a) to consider Co-operative membership applications according to the Act;
  - (b) to request and study reports by persons employed by the Co-operative;
  - (c) to open and use bank accounts;
  - (d) to appoint sub-committees;
  - (e) to keep members informed about the Co-operative's progress;
  - (f) to prepare and present to the Annual General Meeting of the Co-operative proposals regarding any net surplus pertaining to the previous year according to the Act and this statute;
  - (g) to present reports to the Annual General Meeting regarding the work undertaken by the Management Committee for the previous financial year;
  - (h) to take immediate action to resolve problems, mistakes or incorrect practices, should there be any, which may be uncovered following reports by the Co-operatives Board, the auditors or the Supervisory Board where this is composed.
- 9.4 All members of the Management Committee should resign from their posts in every annual general meeting of the Co-operative. A resigning member can be re-elected. **[NOT MANDATORY: Notwithstanding, the Co-operative can choose that one third of the Management Committee members, or if their number is not three or a multiple of three, the**

- number nearest to one third, resign their post. These should be the members who had been in office longest.]**
- 9.5 The Management Committee should meet as often as possible according to exigencies. The quorum for a Management Committee's meeting is fifty per cent of the committee members plus one. Decisions should be approved by a simple majority of votes. The President does not have a casting vote.
- 9.6 A Management Committee member who, for no valid reason, fails to attend three consecutive meetings of the Committee, is considered to have abandoned the post and another member must fill the vacancy. **[NOT MANDATORY: The first person to be considered for this vacancy should be the person who garnered the highest number of votes among the non-elected members in the previous election, followed by the person with the second highest number of votes etc.]**
- 9.7 Allowances and honoraria paid to the members of the Management Committee or the Supervisory Board, where it is established, should be authorised according to this statute or in absence, during the general meeting of the Co-operative. Notwithstanding, none of the members of the Management Committee should receive a salary or wage, except in those co-operatives where the members of the same co-operative are also its employees.
- 9.8 **[NOT MANDATORY: Notwithstanding any clause to the contrary in this statute, the calling of the general meetings, the Management Committee and Supervisory Board meetings, where it is established, can be carried out by adequate electronic means, including the internet, telephone or video conferencing, as long as adequate measures are taken to safeguard the right of each member to participate, vote, and to ensure that there is adequate record of the proceedings is kept.]**
- 10 Juridical and legal representation**
- Every document issued by the Co-operative, including cheques and other commercial documents, should be signed by the President and the Secretary of the Management Committee. The legal and juridical representation of the Co-operative should be vested in these two persons together. Moreover, and without any prejudice to the provision, the Management Committee can, from time to time, appoint other persons ad hoc to represent the Co-operative legally and judicially.
- 11 Specific rules regarding sale and provision of products and services. [NOT MANDATORY and can apply only to a co-operative whose**

**principal activity consists of selling and buying or provision of products and/or services.]**

**11.1 Every member of the Co-operative who supplies products sold by the Co-operative or provides a service to the same Co-operative should:-**

- (a) dispose of, or make arrangements for the disposing of every amount or any amount or a specified proportion, of those products or services to, or by means of, the Co-operative in conformity with every agreement or arrangement entered into between the Co-operative and third parties;**
- (b) buy from the Co-operative the material needed by the said member for the purpose of, or in connection with, the production of those products or the provision of those services, in every amount or in any amount or a proportion specified by the Co-operative.**

**With this in mind, these obligations should be directly related to, necessary and proportionate to, the setting up and the smooth functioning of the Co-operative as well as compatible to those same rules and obligations of the provisions of the Competition Act should be, in any case, evaluated together with, and in the context of, the economic conditions prevailing in the market particularly related to the Co-operative's strength in the market it operates.**

**12. Supervisory Board [NOT MANDATORY]**

**12.1** The Co-operative should have a Supervisory Board made up of not less than three (3) and not more than five (5) members who are not necessarily members of the Co-operative. This Board should be elected at the Annual General Meeting after the election of the Management Committee members;

**12.2** **The Supervisory Board is elected for a period of two years [NOT MANDATORY]** and a member who served on this board can be re-elected.

**12.3** The quorum for a meeting of the Supervisory Board is half the number of its members and decisions are taken by simple majority of votes of the members. The President shall not have a casting vote.

**12.4** None of the members of the Management Committee can sit on the Supervisory Board and preferably members of the Supervisory Board should be chosen from persons possessing knowledge of accounting, auditing and finance.

- 12.5 The Supervisory Board is responsible to the members of the Co-operative to ensure that the Co-operative is run according to its same rules and according to the law and according to decisions and resolutions adopted at General Meetings or at the Management Committee meetings. Its functions include the duties of:
- (a) to monitor the work of the Management Committee and the officials and employees of the Co-operative;
  - (b) to examine the bills of the Co-operative at regular intervals of not less than once a month and ensure that the business of the Co-operative is properly recorded in the accounts books and documents;
  - (c) to bring to the attention of the Management Committee any differences or discrepancies that might exist;
  - (d) to present to the Annual General Meeting a special report on the running and financial situation of the Co-operative in cases where the Management Committee failed to act according to the provisions of the statute;
  - (e) to accept appeals to decisions made by the Management Committee in cases regarding expulsion of members from the Co-operative.

### 13. **The President's duties**

- 13.1 The President presides over general meetings and all Management Committee meetings. In the President's absence, his/her functions are undertaken by the Vice-President, and in the absence of the President and Vice-President at a meeting, by that person elected by the majority of those present and voting.
- 13.2 The President has rights according to the society's rules and in particular has a right to close a discussion and put the issue for voting.

### 14. **The Secretary's duties**

- 14.1 When the Management Committee elects a Secretary, s/he must serve the society on a regular basis, even if s/he does not give full time service to the society.
- 14.2 The Secretary's duties are specified in the society's rules and should include the duties:
- (a) to keep in a correct and updated manner all records, documents and registers of the society;
  - (b) to keep an inventory of the society's property;
  - (c) to deal with correspondence and sign on behalf of the Management Committee;

- (d) to call and attend Management Committee's general meetings and keep minutes;
- (e) to carry out of the society's routine clerical responsibilities and fulfil the duties assigned to him/her by the Management Committee.

## **15 The Treasurer's duties**

- 15.1 When the Management Committee elects a Treasurer s/he should serve the society on a regular basis, even if s/he does not give full time service to the society.
- 15.2 The Treasurer's duties are specified in the society's rules and should include the duties:
  - (a) to be responsible for all the financial business of the Co-operative, reconcile all the society's moneys received from a bank, from the members and other persons, and carries out transactions according to the Management Committee's directives;
  - (b) to provide receipts, vouchers and all other documents needed by law or asked for by the Management Committee;
  - (c) to keep updated records of the society's transactions ;
  - (d) to co-operate with the Co-operative's auditors.

## **16 Appointment and duties of the Manager [NOT MANDATORY]**

- 16.1 **The Management Committee may employ a Manager to execute, under its supervision, it's policy directives.**
- 16.2 **The Manager's duties may include:**
  - (a) the running of the Co-operative's business and property;**
  - (b) the attendance of the Co-operative's and the Management Committee's meetings as necessary from time to time;**
  - (c) the implementation of every reasonable and legitimate instruction of the Management Committee.**

## **17 The Co-operative's property and funds**

- 17.1 The Co-operative's capital is raised from:
  - (a) share capital;
  - (b) surplus placed in the reserve funds;

and can also be raised through:

  - (c) membership fees (which are not refundable)

- (d) investments made by the members themselves;
- (e) investments or loans from persons who are not members;

17.2 The Co-operative may receive investments or loans from its members and from third parties under the following conditions:

- (a) that the best financial conditions the Co-operative binds itself with in cases of either loan or investment is established by a General Meeting;
- (b) that the investment is accepted for a fixed period of one year and can be renewed annually;
- (c) that the best interest conditions to be paid should be established at an Annual General Meeting, but the annual rate should be established and changed as deemed necessary by the Management Committee, which rate of interest cannot be higher than that established by law.

17.3 The Co-operative should have a reserve fund in the form of liquid cash which should be used exclusively in cases of a negative balance incurred by the Co-operative and shown in the verified and approved balance sheet. The Co-operative should allocate at least 20 per cent of surplus left throughout the Co-operative's work in the financial year for this purpose.

Notwithstanding the above mentioned need in this clause, this does not apply at the end of an accounting period when the reserve fund is equal to the total of the paid share capital and 20 per cent of the capital which the society has borrowed as shown in the verified and approved balance sheet of the previous financial period.

17.4 The Co-operative should contribute 5% of the surplus accumulated from the activities, work, investments and all other sources during the financial year to the Central Co-operatives Fund. This Fund should be used to promote co-operative education, training, research, verification and general development of the co-operative movement in Malta.

17.5 The surplus resulting from the Co-operative's work in the financial year, after contributions are paid to the reserve fund and the Central Co-operatives Fund, can be distributed among the members as dividend or used to pay honoraria to the society's officials, or allocated to the Co-operative's funds.

In any case the highest rate per share to be paid by the Co-operative to its members cannot exceed the five per cent rate of the left over rate.

17.6 The Co-operative can contribute an amount not exceeding the 10% of the net surplus for charitable, educational or any other public purpose.

- 17.7 The Co-operative may distribute among its members all the remaining net surplus as patronage refund, that is: distribution in proportion to the volume of work which the members have carried out for the Co-operative and from which the surplus to be distributed was attained.
- 17.8 The Co-operative can also distribute every part of the net surplus to the its members in the form of bonus or share certificates according to the provisions of Article 94 of the Act.
- 17.9 **[NOT MANDATORY: In case where the aims of the Co-operative include the creation of funds to lend money to its members, this lending can be made for a period of not more that 10 (ten) years and with a six per cent (6%) interest rate on the loan. The Co-operative can decide to lend money to a particular member if said member indicates, in writing, the reason for borrowing the money (which has to be related to the member's work with the Co-operative) to the satisfaction of the Co-operative and be in a position to guarantee the loan in favour of the Co-operative with a general hypothec on all his/her wealth and a special hypothec on the immobile property, always to the satisfaction of the Co-operative.**

## **18. The Co-operative's Auditors**

- 18.1 The financial statements of the Co-operative have to be verified at least once a year by an Auditor or Auditors appointed at each general meeting where the verified financial statements are presented. Said Auditors must remain in office from the end of that general meeting to the next general meeting where the verified financial statements are presented. The audit fee must be established at the general meeting.
- 18.2 Should the Co-operatives Board require reports over and above the annual financial statements, the Auditors are to be remunerated by the Co-operative. The remuneration should include any expenses incurred.

## **19. Subsidiary Companies [NOT MANDATORY]**

**The Co-operative may, according to the law, have a subsidiary company, as long as the following conditions are satisfied:**

- (a) that the aims of the subsidiary company have to achieve, promote, complement and advance the aims of the Co-operative;**
- (b) that there are adequate measures in place to ensure that the Co-operative's members are being kept informed of the workings and achievements of the subsidiary company;**
- (c) that there are adequate measures in place to ensure that the powers of the Co-operative are being exercised on the subsidiary**



company, within the parameters of what the Co-operative wants achieved.

**20. Disciplinary Penalties [NOT MANDATORY]**

Besides the penalties included in this statute, the Co-operative may from time to time impose monetary penalties on its members for breaching the rules stipulated by this statute. None of the monetary penalties can be imposed on a member before a written notice of the intended penalty and the reason of the penalty is communicated to the member. Such member should be given the opportunity to be heard or otherwise given the opportunity to explain why the monetary penalty should not be imposed.

**21. Bankers/Financial Year**

**21.1 [NOT MANDATORY: The bankers of the Co-operative are \_\_\_\_\_ and/or any other bank which the Management Committee may choose from time to time;]**

**21.2 [NOT MANDATORY: the financial year of the Co-operative is from 1<sup>st</sup> January to 31<sup>st</sup> December of each year.]**

**22. Disputes [NOT MANDATORY];**

Should a dispute regarding the constitution of the Co-operative, the election of its officials, the running of its general meetings, or the running or workings of the Co-operative arise: -

- (a) among the members, past and future members, past or deceased members; or
- (b) between a member, a past or deceased member, and the Co-operative, its Management Committee, the Supervisory Board or an official of the Co-operative; or
- (c) between the Co-operative or the Management Committee or the Supervisory Board and a Co-operative official; or
- (d) between the Co-operative and another co-operative; or
- (e) on the basis of a request from a co-operative for loans or debts from a member, past member or the heirs of a deceased member, whether or not such loans or debts were admitted to; or
- (f) any dispute which originates from the interpretation of the statute of the Co-operative or a rule found in it:

this has to be referred to arbitration before an arbiter appointed by the President of the Arbitrage Centre of Malta.

**Notwithstanding, the provision does not apply to disputes between a co-operative and its employees in matters regarding the contract of work of the same employees.**

**23. Differences between the Statute and Act XXX of 2001 regarding Co-operative Societies**

- 23.1 Should a clause in this statute be in breach of Act XXX of the 2001 of the Co-operative Societies or any successive legislation, this clause should be ignored and the corresponding clause from the Act applied. Under no circumstance should there be a clause which breaches the veracity of this statute.
- 23.2 In cases of interpretation or in cases where a subject concerning the Co-operative is not mentioned in this statute, the provisions of Act XXX of 2001 regarding Co-operative Societies or any other successive legislation, should be applied.