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Co-operatives Act

(1488/2001; *OSUUSKUNTALAKI*)

Chapter 1 — **General provisions**

Section 1 — *Scope of application*

This Act applies to all co-operatives, unless specifically otherwise provided.

Section 2 — *Definition and purpose of a co-operative*

- (1) 'Co-operative' is defined as an organisation whose membership and share capital have not been determined in advance. The purpose of a co-operative shall be to promote the economic and business interests of its members by way of the pursuit of economic activity where the members make use of the services provided by the co-operative or services that the co-operative arranges through a subsidiary or otherwise.
- (2) However, it may be stipulated in the rules of the co-operative that its main purpose is the common achievement of an ideological goal.
- (3) A co-operative shall be notified for registration, as provided in this Act.

Section 3 — *Liability of members*

- (1) The members of a co-operative shall not be personally liable for the obligations of the co-operative.
- (2) Chapter 9 contains provisions on the obligation of members to take one or several shares. In addition, stipulations on extraordinary payments and the liability of members for refinancing, as provided in chapters 14 and 15, may be taken into the rules of the co-operative.

Section 4 — *Corporate group and dominant influence*

- (1) For the purposes of this Act, 'dominant influence', 'parent co-operative', 'subsidiary' and 'corporate group' are defined, respectively, as the dominant influence, parent enterprise, subsidiary and group referred to in chapter 1, sections 5 and 6, of the Accounting Act (1336/1997; *kirjanpitolaki*).
- (2) In the application of chapter 6, sections 3 and 4, if a foreign organisation corresponding to a co-operative exercises dominant influence over a Finnish co-operative, the foreign organisation shall be deemed a parent co-operative and the Finnish co-operative a subsidiary.

Chapter 2 — **Incorporation and rules of a co-operative**

Incorporators and the incorporation instrument

Section 1 — *Incorporators*

- (1) A co-operative may be incorporated by no fewer than three private individuals or organisations, foundations or other legal persons. An incorporator shall become a member of the co-operative.
- (2) A person without legal capacity and a bankrupt person cannot be an incorporator.

Section 2 — *Minimum contents of the incorporation instrument*

- (1) The incorporators shall draw up an incorporation instrument, to be dated and signed by the incorporators.
- (2) The incorporation instrument shall contain the following information:
 - (1) the rules of the co-operative, as provided in sections 5 and 6;
 - (2) the full names and addresses of the incorporators and, for each private individual, his or her municipality of residence and Finnish personal identity number or, failing this, his or her date of birth, and for each legal person, its domicile, its registration number and the registers wherein the legal person has been entered;
 - (3) the shares devolving on the incorporators;
 - (4) the costs of incorporation to be paid by the co-operative, or the estimated maximum amount of such costs; and
 - (5) the names of the first directors of the co-operative or, if the supervisory board is to elect the board of directors, the names of the supervisors, as well as the names of the auditors.
- (3) In addition, the respective stipulation shall be taken into the incorporation instrument if:
 - (1) the co-operative is to pay costs of incorporation other than public charges and customary fees for drawing up the documents relating to the incorporation and for other corresponding work; or
 - (2) someone is otherwise to receive a special right or benefit from the co-operative.
- (4) The incorporation instrument shall contain an account of any circumstances that may be relevant in the evaluation of a stipulation referred to in paragraph (3). The account shall contain the personal information and the other information referred to in paragraph (2)(2) on the person whom the stipulation concerns.

Registration

Section 3 — *Register notification and lapse of incorporation*

- (1) A co-operative shall be notified for registration within six months of the signing of the incorporation instrument, as specifically provided.
- (2) An affirmation by the directors and the chief executive officer of the co-operative, to the effect that the incorporation of the co-operative has proceeded in accordance with the provisions of this Act, shall be appended to the register notification.

- (3) Unless the co-operative has been notified for registration within the period referred to in paragraph (1), the incorporation shall have lapsed. The incorporation shall likewise lapse, if the registration of the co-operative is refused because the rules have not been drawn up in accordance with this Act, or for some other reason.
- (4) In the event that the incorporation lapses, the directors shall be jointly and severally liable for the refund of the paid-up share prices and accession charges and the proceeds thereof, less the expenses already incurred through measures referred to in section 4(1).

Section 4 — *Legal effects of registration*

- (1) Before it is registered, a co-operative cannot obtain rights or enter into commitments, nor file petitions or claims before the courts and other authorities or defend against the same. However, the board of directors shall have standing in matters pertaining to the incorporation of the co-operative and be competent to undertake other measures for the collection, to the co-operative, of the share prices issued in accordance with the rules.
- (2) Liability for an obligation arising from a measure in the name of a co-operative, undertaken before its registration, shall lie jointly and severally with the persons who participated in the measure or made the decision thereon. However, liability for a measure undertaken after the signing of the incorporation instrument shall lie with the co-operative once it has been registered.
- (3) If a contract has been concluded in the name of a co-operative, before its registration, with a person who knew that the co-operative was unregistered, that person may, unless otherwise agreed, withdraw from the contract if the co-operative has not been notified for registration within the period referred to in section 3 or if the registration authority has refused the registration. If the other contracting party did not know that the co-operative was unregistered, that party may withdraw from the contract at any time before the co-operative is registered.
- (4) Once the co-operative has been registered, a person who has become a member of the co-operative cannot withhold payment of the share price for reason that the incorporation instrument were invalid for a violation of section 1, 2, 5 or 6, or for some other reason.

Rules of the co-operative

Section 5 — *Minimum contents of the rules*

- (1) The rules of every co-operative shall indicate:
 - (1) the trade name of the co-operative;
 - (2) the municipality in Finland where the seat of the co-operative is located;
 - (3) the line of operations of the co-operative;
 - (4) the nominal value of a share (*share price*), the time and manner of the payment thereof; and
 - (5) the financial year of the co-operative.

- (2) If the co-operative intends to use its trade name in two or more languages, each language version shall be indicated in the rules.
- (3) In addition, the general meeting of the co-operative and the convocation thereof, as well as the number and term of the directors, deputy directors and auditors shall be governed by the provisions in chapter 4, sections 3, 11, and 13, chapter 5, sections 1 and 2, and chapter 7, sections 2 and 4, unless otherwise stipulated in the rules in accordance with the said provisions.

Section 6 — *Other rules and the amendment of the rules*

- (1) Stipulations on the following may be taken into the rules of a co-operative:
 - (1) that the co-operative is to exist only for a predetermined period of time;
 - (2) that the services of the co-operative are to be offered also to non-members;
 - (3) that the right of a member to resign from the co-operative is restricted as provided in chapter 3, section 4, and chapter 4, section 25;
 - (4) that any elections are proportional; and that the power of decision of the members of the co-operative is vested in the delegates, as provided in chapter 4;
 - (5) the chief executive officer of the co-operative; the persons authorised to sign for the co-operative; and the supervisory board of the co-operative, as provided in chapter 5;
 - (6) the distribution and other use of a surplus; a reserve fund; and the distribution of the assets of a co-operative to be dissolved, as provided in chapters 8 and 19;
 - (7) the obligation of members to take several shares, as provided in chapter 9, section 2;
 - (8) voluntary shares, as provided in chapter 9, section 3;
 - (9) the collection of accession charges, as provided in chapter 9, section 4;
 - (10) the payment for a share in kind; and other special conditions, as provided in chapter 9, section 7;
 - (11) the restriction of the right to reduce the number of shares; and the postponement of a share price refund, as provided in chapter 9, section 3, and chapter 10, section 3;
 - (12) supplementary shares, as provided in chapter 11;
 - (13) investment shares, as provided in chapter 12;
 - (14) the collection of extraordinary payments, as provided in chapter 14; and
 - (15) the liability of members for refinancing, in favour of the creditors of the co-operative, as provided in chapter 15.
- (2) Also other stipulations may be taken into the rules, in so far as not otherwise provided in an Act.
- (3) A decision to amend the rules shall be made by the general meeting of the co-operative in accordance with the provisions in chapter 4 and elsewhere in this Act.

Chapter 3 — **Members and the beginning and end of membership**

Section 1 — *Minimum number of members*

- (1) A co-operative shall have no less than three members.
- (2) If the number of members falls below three and does not rise to at least three within a year, the general meeting of the co-operative shall decide on the surrender of the co-operative into liquidation, as provided in chapter 19.

Section 2 — *Application for admission and beginning of membership*

- (1) An application for admission to a co-operative shall be filed in writing with the board of directors of the co-operative. The board of directors shall decide on admission or on the admission procedure and admission criteria. It may be stipulated in the rules that the admission decision is to be made by the general meeting of the co-operative, by the delegates or by the supervisory board.
- (2) It may be stipulated in the rules of the co-operative that admission is to be granted to everyone who meets the admission criteria as stipulated in the rules. In this event, it may also be stipulated in the rules that admission can be refused if this is especially necessary owing to the nature or extent of the operations of the co-operative or for some other reason.
- (3) Membership in the co-operative shall begin when admission has been granted, unless otherwise stipulated in the rules.
- (4) Chapter 9 contains provisions on the obligation to take a share and on the payment of the share price to the co-operative.

Section 3 — *Membership register*

- (1) The board of directors shall see to it that a register is kept of the members of the co-operative. The name and address of a member, the number of shares held by the member and the date of admission of the member shall be entered into the register.
- (2) A register shall be kept of the former members of the co-operative, until the co-operative has refunded the share price as provided in chapter 10. If the rules contain a stipulation on liability for refinancing, a former member may be removed from the register once the liability of that member for refinancing has ceased. The register may be included in the membership register, or it may be kept separately in another reliable manner. In addition to the information referred to in paragraph (1), the date of the end of membership shall be entered into the register.
- (3) The membership register and the register of former members shall be held accessible to the members and the creditors in the head office of the co-operative. Members and creditors have the right to obtain, at cost, a copy or excerpt of the register. Also others who demonstrate that their interests so require have the same right.

Section 4 — *Right to resign and notice of resignation*

- (1) A member has the right to resign from the co-operative by notifying the same to the co-operative in writing, as provided in chapter 23, section 2(1). In addition,

stipulations may be taken into the rules on other methods by which the co-operative can be deemed to have received a notice of resignation, and the board of directors may additionally designate a person to receive notices of resignation.

- (2) It may be stipulated in the rules that the right of a member to resign be suspended until the lapse of a set period from the beginning of the membership. The period of suspension shall be no longer than three years.
- (3) Chapter 4, section 25, governs the extraordinary right of a member to resign.

Section 5 — *Decision to expel*

- (1) A member may be expelled from the co-operative, if the member has neglected an obligation ensuing from membership. Stipulations may be taken into the rules also on other grounds for expulsion.
- (2) A member shall be provided with a written notification of the grounds for expulsion and of the organ of the co-operative that makes the decision at least a month before the decision is to be made. The notification shall be delivered to the member to the address entered into the membership register or to an address otherwise known to the co-operative.
- (3) The decision to expel shall be made by the board of directors or that organ of the co-operative which according to the rules makes admission decisions. It may be stipulated in the rules that the decision to expel a member is to be made by an organ of the co-operative other than that making admission decisions.
- (4) If a member is expelled by other means than a decision of the general meeting of the co-operative, the member has the right to request that the matter be referred to the general meeting for decision. The written request for referral shall be served on the co-operative in the manner provided in chapter 23, section 2(1), within one month of the decision to expel having been notified to the expelled member to the address entered into the membership register or to an address otherwise known to the co-operative. In addition, the organ of the co-operative which made the decision to expel has the right to refer the matter on its own motion to the general meeting of the co-operative for decision.
- (5) An expelled member may contest the decision to expel made by the general meeting of the co-operative before a court of law. However, the contesting of the decision to expel shall be submitted to arbitration, if it is stipulated in the rules of the co-operative that disputes between the co-operative and its members are to be settled in the manner referred to in chapter 23, section 4. The provisions in chapter 4, section 26, apply to the action before the court of law.
- (6) If it is held, in the final judgment of the court or in the arbitral award, that the decision of the general meeting of the co-operative is invalid, the unlawfully expelled member is entitled to compensation from the co-operative for loss of the benefits of membership.

Section 6 — *End of membership*

- (1) A member shall have resigned from the co-operative when the co-operative has received the notice of resignation, unless the right to resign has been suspended, as provided in chapter 4, section 2.
- (2) A member shall have been expelled from the co-operative when the general meeting of the co-operative has decided to expel the member. If some other organ of the co-operative has made the decision to expel, and the expelled member has not requested that the matter be referred to the general meeting of the co-operative for decision, the expulsion shall take effect in one month of the service of the decision to expel on the expelled member.
- (3) It may be stipulated in the rules that the rights in the co-operative ensuing from membership are to continue regardless of the end of membership, until the paid-up amount of the share price has been refunded to the former member. A right of this kind may only pertain to the surplus and the other assets of the co-operative or to the use of the services of the co-operative.
- (4) Chapter 10 contains provisions on the refund and decrease of share prices and the reduction of shares.

Section 7 — *Non-assignability of membership*

- (1) Membership in a co-operative shall not be assigned to someone else.
- (2) However, a member may transfer a share to someone else, as provided in chapter 9.

Section 8 — *Successors of a deceased member*

The successors of a deceased member have the right to jointly exercise the rights of the decedent in the co-operative for one year after the death or until a successor has become a member of the co-operative before that time, unless otherwise stipulated in the rules. The successors shall exercise the right through a joint representative.

Chapter 4 — **General meeting of the co-operative and delegates of the co-operative**

General provisions

Section 1 — *Decision-making*

- (1) The members' power of decision in a co-operative shall be exercised by unanimity, as provided in section 2, or by the general meeting of the co-operative, as provided in sections 3—26.
- (2) It may be stipulated in the rules that, instead of the general meeting of the co-operative, the members' power of decision is to be exercised by delegates elected by the members, as provided in sections 27—32.

Section 2 — *Unanimous decision of all members*

- (1) When unanimous, the members may decide a matter in the competence of the general meeting of the co-operative without holding a meeting.
- (2) The decision shall be made in writing, dated, and signed by at least two members. The decision shall indicate the names of the members participating in the decision-making.
- (3) In other respects, the written decision shall be governed by the provisions on the minutes of the general meeting of the co-operative. However, no list of votes need be included in or appended to the decision.

General meeting of the co-operative

Section 3 — *Ordinary general meeting*

- (1) The ordinary general meeting of the co-operative shall be held within six months of the end of the financial year, unless an earlier date has been stipulated in the rules. The general meeting shall be presented with the annual accounts and the audit report and, if the co-operative has a supervisory board, its opinion on the annual accounts.
- (2) The general meeting shall decide on:
 - (1) the approval of the income statement and the balance sheet and, in a parent co-operative, the approval of the consolidated income statement and consolidated balance sheet;
 - (2) the necessary measures in view of the surplus or loss on the approved balance sheet and, in a parent co-operative, on the consolidated balance sheet;
 - (3) the discharge of the directors, the supervisors, and the chief executive officer from liability regarding the financial year; and
 - (4) the other matters which under this Act or the rules of the co-operative are in the competence of the ordinary general meeting.
- (3) In addition, the ordinary general meeting shall choose the directors and the auditors, unless these are under the rules of the co-operative to be chosen in another ordinary general meeting or appointed in accordance with some other procedure.
- (4) However, a decision in a matter referred to in paragraph (2)(1)—(2)(3) shall be postponed to a continuation meeting, to be held at a given date no earlier than one month and no later than two months after the first meeting, if so requested by members who represent at least one tenth, or a smaller proportion as stipulated in the rules, of the total votes of the members. A decision shall not be postponed more than once.
- (5) The co-operative may have several ordinary general meetings, in which event stipulations shall be taken in the rules on which matters are to be dealt with in which meeting. However, the matters referred to in paragraph (2)(1)—(2)(3) shall also in this event be dealt with in the general meeting held within six months of the end of the financial year.

Section 4 — *Extraordinary general meeting*

- (1) An extraordinary general meeting of the co-operative shall be held, if the board of directors or the supervisory board deem necessary.
- (2) In addition, an extraordinary general meeting shall be held, if so requested in writing, for the purpose of dealing with a specified matter, by the auditors or by members who represent at least one tenth, or a smaller proportion as stipulated in the rules, of the total votes of the members. The notice of convocation shall be issued no later than fourteen days after the request was made.

Section 5 — *Right of a member to attend*

- (1) Every member has the right to attend the general meeting of the co-operative and to be heard there, unless otherwise provided in this Act. It may be stipulated in the rules that, in order to attend the general meeting, a member is to register with the co-operative no later than the date specified in the notice of convocation; the said date shall not be earlier than ten days before the general meeting.
- (2) A subsidiary that is a member of the co-operative has no right to attend the general meeting of the co-operative. The votes of such a subsidiary shall not be taken into account, if the validity of a decision or the use of a given right requires the support of all members or the support of members who have a qualified part of all the votes in the co-operative. The provisions in this paragraph apply correspondingly to a foundation under the dominant influence, as referred to in chapter 1, section 4, of the co-operative or its subsidiary.

Section 6 — *Representatives and counsel*

- (1) Members shall exercise their rights in the general meeting of the co-operative in person.
- (2) A member may exercise the rights also through a representative, unless this is restricted in the rules. The representative shall produce a dated proxy or present other credible proof of being entitled to represent a member of the co-operative. The proxy shall be valid for one general meeting, unless otherwise indicated therein. In any event, a proxy shall be valid for no more than three years from its date. A representative shall not hold proxies from more than three members at a time, unless otherwise stipulated in the rules. Notwithstanding this provision, a representative is entitled to represent all shareholders in a deceased member's estate, as well as all members who belong to the same corporate group, as referred to in the Accounting Act.
- (3) Members and representatives are entitled to retain the services of counsel in the general meeting of the co-operative.

Section 7 — *Number of votes of one member*

- (1) In the general meeting of the co-operative, one member shall have one vote in all matters to be considered by the general meeting.
- (2) However, it may be stipulated in the rules that the members have differentiated numbers of votes. The number of votes of one member may be more than ten times the number of votes of another member only in a co-operative in whose rules it is

stipulated that the majority of members are to be co-operatives or other legal persons.

Section 8 — *Disqualification*

- (1) In the general meeting of the co-operative, a member shall not vote in a matter pertaining to the discharge of that member from liability for the financial year, an action to be brought against that member, or the release of that member from liability in damages or from some other obligation towards the co-operative, or an agreement or undertaking between that member and the co-operative. A member shall likewise not vote in a matter pertaining to an action to be brought against another person, the release of another person from an obligation towards the co-operative, or an agreement between another person and the co-operative, if the member can anticipate an essential benefit in the matter and that benefit can be contrary to the interests of the co-operative. Notwithstanding the provisions in this paragraph, the acquiring co-operative may vote in a matter pertaining to the draft terms of merger, as referred to in chapter 16, section 4.
- (2) A supervisor, a director or the chief executive officer shall not vote in a matter pertaining to the choice or dismissal of an auditor or the fee payable to an auditor.
- (3) In addition, the general meeting of the co-operative may decide that a member is not to participate in the consideration of a matter referred to in this section.
- (4) The provisions in this section on a member apply also to the representative of a member, and the provisions on agreements and undertakings apply also to donations made by the co-operative.

Section 9 — *Venue*

- (1) The general meeting shall be held in the municipality where the seat of the co-operative is located. It may be stipulated in the rules that the general meeting is to be held or can be held in another given municipality in Finland. For very persuasive reasons, the general meeting may be held in some other municipality in Finland.
- (2) It may be stipulated in the rules, or the board of directors of the co-operative may decide, that participation in the general meeting of the co-operative may take place also by post or by a telecommunications connection or some other technical device. It shall be a prerequisite for this that the right to participate and the reliability of the vote count can be established in a manner comparable to the procedures in use in a regular general meeting of the co-operative. The opportunity to participate in this manner shall be mentioned in the notice of convocation.

Section 10 — *Convocation*

- (1) The general meeting of the co-operative shall be convened by its board of directors. If the co-operative has a supervisory board, it may be stipulated in the rules that the general meeting is to be convened by the supervisory board.
- (2) If the general meeting of the co-operative to be held in accordance with this Act, the rules or a decision of the general meeting has not been convened as provided, the State Provincial Office shall authorise, upon request, a director, a supervisor,

the chief executive officer, an auditor or a member of the co-operative to convene the general meeting at the expense of the co-operative.

Section 11 — *Time of notice of convocation*

- (1) The notice of convocation of the general meeting of the co-operative shall be delivered no earlier than two months and no later than one week before the general meeting or the registration deadline referred to in section 5(1). Stipulations may be taken into the rules on the lengthening of the shorter limit and the shortening of the longer limit.
- (2) If a decision to be made by the general meeting is postponed to a continuation meeting, a separate notice of convocation shall be issued if the meeting is to be held more than six weeks later. Notwithstanding any stipulations in the rules on the time of notice of convocation, the notice of convocation of the continuation meeting may be delivered no later than four weeks before the meeting.
- (3) If, under the rules, a matter is to be considered in two general meetings, the notice of convocation of the later meeting shall not be issued before the earlier meeting has been closed. The notice of convocation shall indicate the decision reached in the earlier meeting.

Section 12 — *Particular time of notice of convocation*

- (1) The notice of convocation shall always be delivered no earlier than two months and no later than one month before the meeting, if any of the following matters is to be considered:
 - (1) an essential change of the purpose or line of operations of the co-operative, or the continuation of the operations of the co-operative beyond the time stipulated in the rules;
 - (2) a change in the numbers of votes of the members;
 - (3) a change in the procedure or the constituencies for the choice of the management, the auditors or the delegates of the co-operative, or the transfer of power of decision from the members to the delegates;
 - (4) the restriction of the right of current members to resign;
 - (5) the restriction of the right to reduce or convey shares that have already been issued, or the postponement of a share price refund;
 - (6) regarding current members or shares that have already been issued, the restriction of a right to the surplus, a share price refund, or the net assets of the co-operative otherwise than as referred to in subparagraph (4) or (5), or some other change in the basis for the distribution of the surplus or the net assets;
 - (7) the increase of the payment liability of current members by way of a share price increase against a payment or some other manner, or by the issue of new shares through a mixed issue;
 - (8) the decrease of the share price or the paid-up amount of the same, or the reduction of the number of shares; or

- (9) the merger or division of the co-operative, the reincorporation of the co-operative as a limited-liability company, the surrender of the co-operative into liquidation, the termination of liquidation, or the deregistration of the co-operative.
- (2) The time of notice provided in paragraph (1) shall apply also to the other matters to be considered in the same meeting, notwithstanding any stipulations in the rules about a shorter time of notice.

Section 13 — *Delivery and contents of the notice of convocation*

- (1) The notice of convocation of the general meeting of the co-operative shall be delivered in writing to the members to the addresses entered into the membership register or otherwise known to the co-operative. It may be stipulated in the rules that the notice of convocation is to be delivered in some other manner.
- (2) If, under the rules, the notice of convocation is to be delivered to the members otherwise than by sending it in writing, and a matter referred to in section 12 is to be considered in the general meeting, a written notice of convocation shall, in addition to what has been stipulated in the rules:
 - (1) be sent to all members whose addresses are known to the co-operative, or
 - (2) be delivered in some other manner which will bring the matter generally to the attention of the members.
- (3) The notice of convocation shall indicate the matters to be considered in the general meeting. If the general meeting is to consider an amendment of the rules, a matter referred to in section 12 or the issue of new shares, supplementary shares or investment shares, the notice of convocation shall indicate the main contents of the proposed decision.

Section 14 — *Matters introduced by members*

A member is entitled to introduce matters for the consideration of the general meeting, by making a written request for the same to the board of directors so early that the matter can be taken into the notice of convocation.

Section 15 — *Meeting documents and their availability*

- (1) If the general meeting of the co-operative is to consider the annual accounts, the financial documents or copies thereof shall be kept available to the members, for at least a week before the general meeting, in the head office of the co-operative, as well as sent without delay to any member who so requests. If the general meeting is to consider the merger of the co-operative into another co-operative, the division of the co-operative, or the reincorporation of the co-operative as a limited-liability company, the documents shall be kept available for at least a month before the meeting.
- (2) If a matter referred to in section 12 is to be considered in the general meeting of the co-operative, other than one referred to in paragraph (1), the board of directors shall prepare an account on the events after the annual accounts which have an essential effect on the position of the co-operative. The supervisory board and the auditors shall issue their opinions on the account. However, the opinions need not

be issued, if the board of directors states in the notice of convocation that it is not aware of any events that have an essential effect on the position of the co-operative. The documents pertaining to the latest annual accounts, the decision of the general meeting of the co-operative regarding the surplus or loss for that financial year, and the account of the board of directors and the opinions thereon shall be kept available and sent as provided in paragraph (1).

- (3) If more than six months have elapsed between the end of the previous financial year and the general meeting of the co-operative considering a merger, a division or a reincorporation, interim accounts shall be included in the meeting documents. The interim accounts shall cover a period ending no earlier than three months before the general meeting. The interim accounts shall be prepared and audited, in so far as appropriate, in accordance with the provisions and official instructions on annual accounts. In addition, the opinion of the supervisory board on the interim accounts shall be appended thereto. The interim accounts shall be kept available and sent as provided in paragraph (1).
- (4) If a matter referred to in section 12 is to be considered in the general meeting, also the proposed decision shall be kept available and sent as provided in paragraph (1).
- (5) If, under the rules, a matter is to be considered in two general meetings, and the later general meeting is held within three months of the first general meeting, the documents referred to in this section need not again be prepared for the later general meeting.

Section 16 — *Exceptions to formal requirements*

- (1) If the provisions of this Act or the stipulations in the rules on the notice of convocation and meeting documents have not been followed in regard to some matter, a decision in that matter may be made only on the consent of those members whom the neglect concerns.
- (2) If, under the rules, a matter is to be considered in the ordinary general meeting, the general meeting may make a decision thereon even if it has not been mentioned in the notice of convocation. In addition, the general meeting may always decide on the convocation of an extraordinary general meeting to consider a given matter.

Section 17 — *Chairperson, scrutineers of the minutes, vote list and minutes*

- (1) The general meeting of the co-operative chooses its chairperson, unless otherwise stipulated in the rules. In addition, the general meeting shall choose at least one scrutineer of the minutes, unless the minutes are to be signed by all members and members' representatives attending the general meeting.
- (2) The membership register shall be kept available in the general meeting, indicating also the number of votes of the members and the basis for the determination of that number, if a member can under the rules have several votes. The chairperson shall see to it that a list is drawn up on the members, representatives and counsel

attending the general meeting, indicating also the numbers of shares and votes of each member (*vote list*).

- (3) The chairperson shall see to it that minutes are kept of the general meeting. The vote list shall be included in or appended to the minutes. The minutes shall indicate the decisions made by the general meeting and, for any votes taken, the result of the vote. The chairperson and the scrutineer of the minutes shall sign the minutes. No later than two weeks after the general meeting, the minutes shall be kept available to the members in the head office of the co-operative. The minutes shall be archived in a reliable manner. A member is entitled to a copy or an extract of the minutes at cost price.

Section 18 — *Members' right to ask questions*

- (1) In the general meeting of the co-operative, the board of directors and the chief executive officer shall, on the request of a member, provide further information on matters that may have an effect on the evaluation of the annual accounts of the co-operative, its financial position or some other manner to be considered by the general meeting, provided that the board of directors deems that this is possible without causing essential detriment to the co-operative. The duty to provide further information covers also the relationship of the co-operative with another organisation in the same corporate group and, in a parent co-operative, also the information referred to above regarding the consolidated accounts and the subsidiaries.
- (2) If a question asked by a member can be answered only on the basis of information not available at the general meeting, the question shall be answered in writing within two weeks of the general meeting. The answer shall be kept available to the members at the head office of the co-operative and sent to the member who asked the question.
- (3) If the board of directors deems that the requested information cannot be provided without causing essential detriment to the co-operative thereby, the board of directors shall provide the requested information to the auditors of the co-operative within two weeks of the general meeting. Within a month of the general meeting, the auditors shall supply a written opinion to the board of directors on the effect that the information has on the audit report or another opinion to be issued by the auditors to the general meeting. The provisions in section 17(2) on the minutes of the general meeting of the co-operative apply to the keeping of the opinion available and the issue of copies thereof. The opinion shall without delay be sent to the member who asked the question.

Section 19 — *Principle of equality*

The general meeting of the co-operative shall not make a decision conducive to conferring an unjustified benefit to a member or another person to the detriment of another member or the co-operative.

Section 20 — *General majority requirements*

- (1) The motion supported by the members with more than one half of the votes cast shall be adopted as the decision of the general meeting of the co-operative.
- (2) In an election, the person receiving the most votes shall be deemed to have been elected. However, the general meeting of the co-operative may decide before the election, or it may be stipulated in the rules, that, from among the candidates receiving support, the one who receives more than one half of the votes cast is to be deemed to have been elected. The same provision applies to an election where several persons are to be chosen to the board of directors, to the supervisory board, as auditors or to other similar duties.
- (3) In the event of a tie, an election shall be decided by drawing lots, and other matters shall be decided in accordance with the motion supported by the chairman of the general meeting.
- (4) Notwithstanding the provisions in paragraphs (2) and (3), it may be stipulated in the rules that an election is to be proportional. In this event, stipulations shall be taken into the rules as to which elections are proportional, and as to how voter groups are to be organised, as to how the election is to be arranged and verified, and as to other particulars of electoral procedure.
- (5) Stipulations may be taken into the rules on other prerequisites for the validity of a decision. However, stipulations may be taken into the rules on a majority requirement less severe than that provided in this Act only as regards elections and the alteration of a member's number of votes, if the rules of the co-operative contain stipulations on the differentiation of the numbers of votes of the members. In any event, as regards the alteration of the number of votes, stipulations shall not be taken into the rules on a majority requirement less severe than that provided in section 21(1).

Section 21 — *Majority requirement for rule amendments and the implementation of an amendment*

- (1) The general meeting of the co-operative shall decide on amendments to the rules. A qualified majority shall be required for the validity of the decision; it must have the support of members with at least two thirds of the votes cast.
- (2) The decision on an amendment to the rules shall be notified for registration without delay; it shall not be implemented before it is registered.
- (3) However, the decision on an amendment to the rules shall apply to a person admitted to membership before the registration of the decision and to a share issued before the registration of the decision after one year from the end of the financial year during which the registration of the decision takes place, where the decision:
 - (1) postpones a payment liability based on a share;
 - (2) brings a share price refund forward otherwise than as an accelerated refund referred to in chapter 10, section 4;
 - (3) increases the right to the refund of a bonus issue, an accession charge or an extraordinary payment;

- (4) decreases the share price for a reason other than the covering of loss; or
- (5) restricts the liability of a member for refinancing.

Section 22 — Majority requirement for certain rule amendments

- (1) However, the qualified majority required for the validity of the decision shall be the support of members with at least nine tenths of the votes cast in the general meeting, where the decision:
 - (1) restricts the right of current members to resign from the co-operative;
 - (2) restricts the right to reduce or assign shares that have already been issued;
or
 - (3) postpones the share price refund for a share that has already been issued.
- (2) However, the qualified majority required for the validity of the decision shall be the support of all members attending or represented in the general meeting, where the decision:
 - (1) changes the main purpose of the co-operative;
 - (2) introduces the differentiation of numbers of votes in a co-operative where all members have one vote;
 - (3) alters the differentiated numbers of votes between the members;
 - (4) restricts the right of a current member or the right based on a share that has already been issued to the surplus, a share price refund or the net assets of the co-operative otherwise than as referred to in paragraph (1);
 - (5) increases the payment liability of a current member as to extraordinary payments, refinancing or a non-refundable accession charge; or
 - (6) restricts the right of a current member to resign or the right to reduce the number of shares that have already been issued in a co-operative whose rules contain provisions on extraordinary payments or the liability for refinancing.

Section 23 — Other majority requirements

- (1) The majority requirement provided in section 21(1) applies to a decision of the general meeting of the co-operative regarding the reduction of the number of shares or the decrease of the amount paid up to the co-operative for the share prices, as well as to an authorisation to be issued to the board of directors. However, the decision and the authorisation shall be governed by the majority requirement provided in section 22, if the decision or authorisation restricts or alters the rights of a member in the manner referred to in that section.
- (2) The qualified majority required for the validity of a merger decision by the general meeting of the merging co-operative shall be the support of members with at least two thirds of the votes cast. The same applies to the decision of the general meeting of the co-operative regarding the division of the co-operative, the reincorporation of the co-operative as a limited-liability company, the surrender of the co-operative into voluntary liquidation and the end of such liquidation, as well as to the filing of a petition for the co-operative to be placed in liquidation or deregistered.

Section 24 — *Notification to the members of a decision differing from that indicated in the notice of convocation*

- (1) A decision of the general meeting of the co-operative shall be notified to the members, if the main contents of the decision pertaining to a matter referred to in section 12 or the issue of new shares, supplementary shares or investment shares differ from the proposed decision indicated in the notice of convocation, where the decision;
 - (1) alters the rights or obligations of a member of the co-operative;
 - (2) changes the main purpose of the co-operative; or
 - (3) essentially changes the line of operations of the co-operative or extends the operations of the co-operative for a period longer than what was stated in the proposed decision.
- (2) The notification shall be delivered without delay to the members who were not attending or represented in the general meeting. The notification shall be delivered in the same manner as a notice of convocation of the general meeting of the co-operative.

Section 25 — *Special right to resign and to a refund*

- (1) Notwithstanding a restriction of the right to resign or the postponement of a share price refund stipulated in the rules, a member has the right to resign from the co-operative and to receive a refund as provided in this section, if that member has not supported a decision referred to in section 12 (*special right to resign and to a refund*). This does not, however, apply to a merger decision of the general meeting of the acquiring co-operative nor to a decision on the co-operative being surrendered into liquidation or deregistered.
- (2) The special right to resign and to a refund shall be conditional on the member resigning from the co-operative or the membership otherwise ending within 30 days of the decision of the general meeting of the co-operative, or the membership having ended earlier during the financial year when the decision was made.
- (3) If the decision pertains to the merger of the co-operative into another co-operative, its division or its reincorporation as a limited-liability company, the member is entitled to a full refund, from the acquiring co-operative or the limited-liability company to be registered, of the share price paid up on the part of the member. The right to the refund shall ensue from the registration of the decision of the general meeting of the co-operative. If the decision pertains to another matter referred to in paragraph (1), the member is entitled to a share price refund as provided in chapter 10, sections 1 and 2, once the decision of the general meeting of the co-operative has been registered, if so stipulated in the rules.
- (4) If the amendment of the rules pertains to an increase in a member's payment liability, a member who has resigned is thereby released also from the amended liability.
- (5) Stipulations may be taken into the rules on the restriction or abolition of the special right to resign or to a refund.

Section 26 — *Contesting a decision*

- (1) If a decision of the general meeting of the co-operative has not been made in accordance with the proper procedures or if it otherwise is contrary to this Act or the rules, a member of the co-operative, the board of directors, the supervisory board, a director, a supervisor, or the chief executive officer may bring an action against the co-operative for a declaration that the decision is invalid or for its amendment.
- (2) The action shall be brought within three months of the making of the decision. If a member has had an acceptable reason for a delay, and it would be manifestly unreasonable to that member were the decision to remain valid, the action may be brought within a year of the making of the decision. If no action is brought within these time limits, the decision shall be deemed valid.
- (3) However, the provisions in paragraph (2) do not apply:
 - (1) if the decision is one that cannot, according to the law, be made even with the consent of every member;
 - (2) if, under the rules, the decision requires the consent of all members or certain members, and no such consent has been given; or
 - (3) if no notice of convocation has been delivered or if the provisions on the notice of convocation and the availability of meeting documents have been broken in an essential manner.
- (4) A court decision by which the decision of the general meeting of the co-operative has been declared invalid or amended shall take effect also in regard to those members who have not joined in the action. The court may amend the decision of the general meeting of the co-operative only in the event that it can determine what the contents of the decision should have been.

Delegates

Section 27 — *Duties*

- (1) It may be stipulated in the rules that the power of decision of the members in all matters or certain matters is not to be exercised by the general meeting, but instead by delegates elected by the members.
- (2) In this event, stipulations shall be taken into the rules on the following: the manner of election of the delegates, the duties of the delegates, the number of delegates and their term in office, and the manner of election of a substitute delegate in the event that a delegate leaves office in mid-term. The delegates' term in office shall end no later than during the sixth financial year after the election, either after the election of the new delegates or at the end of the financial year.
- (3) Stipulations may be taken into the rules on the rights of a member of the co-operative in a meeting of the delegates. However, no stipulations shall be taken into the rules on the right of a member of the co-operative to vote in a meeting of the delegates.

Section 28 — *Election*

- (1) The delegates shall always be elected by proportional vote.
- (2) It may be stipulated in the rules that the delegates are to be elected from constituencies, determined according to member group or according to geographical area. In this event, stipulations shall be taken into the rules on the basis of the division of the members into the constituencies.
- (3) It may be stipulated in the rules that the proportion of delegates to be elected from a given constituency is to be determined:
 - (1) in accordance with the number of members in the co-operative;
 - (2) in accordance with the number of shares of the members or with the paid-up amount of those shares;
 - (3) in accordance with the use of services provided or otherwise arranged by the co-operative; or
 - (4) in accordance with some other grounds, as stipulated in the rules.
- (4) If the delegates are to be elected from constituencies, it may be stipulated in the rules that constituency electors are to elect the delegates from a given constituency. The members of the co-operative shall elect the constituency electors by proportional vote and also otherwise as provided in this section on the election of delegates. Stipulations shall be taken into the rules on the term in office of the constituency electors; this shall not exceed the delegates' term in office.
- (5) It may be stipulated in the rules that the members participate in the election of the delegates or of the constituency electors by mail, or by a telecommunications connection or another technical device. In this event, stipulations shall be taken into the rules on electoral procedure, so as to guarantee to the members their right to vote and to nominate candidates.

Section 29 — *New election in mid-term*

- (1) A new election of delegates shall be held in the middle of the delegates' term in office, if members of the co-operative representing at least half, or a smaller proportion as stipulated in the rules, of the total votes of the members so request in writing.
- (2) The new delegates shall be elected within four months of the request. The term in office of the new delegates shall begin on the day following the return of the election results. However, it may be stipulated in the rules that the term of the new delegates is to begin later, but at most two weeks after the election.

Section 30 — *Failure to elect delegates*

If no election of delegates is held, the provisions in section 10(2) apply in so far as appropriate; the pertinent petition may be filed also by a member of the co-operative.

Section 31 — *Meeting of the delegates*

- (1) The provisions in this Act on the general meeting of the co-operative apply, in so far as appropriate, to the meeting of the delegates, except as otherwise provided in

this section. One delegate shall always have one vote in the meeting; no proxies shall be permitted. A delegate may retain the services of counsel only if so stipulated in the rules or if the general meeting of the co-operative so decides.

- (2) An extraordinary meeting of the delegates shall be held if at least one fourth of the delegates so request. The meeting shall be held also if so requested by a smaller proportion of the delegates as stipulated in the rules.
- (3) A meeting of the delegates shall not make a decision on a matter referred to in section 12 before one month has elapsed of the notification to the members of the co-operative of the main contents of the proposed decision and the time of the meeting of the delegates, in the same manner as provided for a notice of convocation of the general meeting of the co-operative that is to consider such a matter. If a decision on a matter referred to in section 24 differs from what has been indicated to the members and the delegates, this shall be notified to the members as provided in the said section.

Section 32 — *Contesting of decisions and liability in damages*

- (1) A decision of the meeting of the delegates may be contested by a member of the co-operative, a delegate, the board of directors, the supervisory board, a director, a supervisor, or the chief executive officer, as provided in section 26.
- (2) The liability of a delegate in damages shall be governed by the provisions in this Act on the liability of a member of the co-operative in damages.
- (3) Notwithstanding the provisions in section 27, also the members of the co-operative are entitled to request a special audit as referred to in chapter 7, section 7, and to pursue an action, as referred to in chapter 20, section 5, on the behalf of the co-operative. The members requesting an audit or the initiation of an action must have at least one fourth, or a smaller proportion as stipulated in the rules, of the total votes in the co-operative. The members of the co-operative may request an audit or bring an action even if no delegate has contested the decision of the delegates in the manner referred to in chapter 7, section 7, or in chapter 20, section 5.

Chapter 5 — **Management of the co-operative**

Board of directors and chief executive officer

Section 1 — *Election of directors and alternate directors*

- (1) A co-operative shall have a board of directors.
- (2) The board of directors shall consist of at least one and at most seven directors, unless otherwise stipulated in the rules. If the board of directors consists of fewer than three directors, it shall additionally have at least one alternate director.
- (3) The directors shall be chosen by the general meeting of the co-operative. It may be stipulated in the rules that the supervisory board is to choose the directors.
- (4) It may also be stipulated in the rules that some directors, fewer than half of the board of directors, are to be appointed according to some other procedure. In this

event, if the appointment of a director has not been notified to the co-operative within one month, the general meeting of the co-operative or the supervisory board may choose a substitute director, as provided in paragraph (3), provided that it has not been otherwise stipulated in the rules. The time limit shall be calculated from such time when the party entitled to appoint the director has reason to believe that there is a vacancy or that the respective director has lost the eligibility for the position, as referred to in section 5, and that there is no alternate director.

- (5) Each director shall produce a duly dated and written document to the effect that he or she consents to being named to the position.
- (6) The provisions in this Act on a director apply also to an alternate director.

Section 2 — *Director's term in office*

The term in office of a director shall continue until further notice, unless stipulations are taken into the rules on a fixed term in office. The term in office shall end upon the conclusion of the general meeting of the co-operative that decides on the election of a new director, unless otherwise stipulated in the rules or otherwise decided in connection with the choice of the new director.

Section 3 — *Resignation and dismissal of a director*

- (1) A director may resign before the end of his or her term in office. The resignation shall be notified to the board of directors and, if the resigning director has not been chosen by the general meeting of the co-operative, also to the party who appointed the director. The notice of resignation shall be duly dated and signed. A director may be dismissed by the party which chose or appointed him or her.
- (2) If the position of a director becomes vacant in mid-term or if a director loses eligibility for the position, as referred to in section 5, and there is no alternate director, the other directors shall see to it that a new director is chosen to serve the remainder of the term. If the choice is a matter for the general meeting of the co-operative and if the board of directors has a quorum with the remaining directors and alternate directors present, the election may be postponed to the following general meeting of the co-operative which is also otherwise to choose the directors.
- (3) If, at the time of his or her resignation, a director has reason to believe that the co-operative no longer has any directors, he or she shall convene the general meeting of the co-operative in accordance with chapter 4, section 10, in order to choose a new board of directors.

Section 4 — *Choice of the chief executive officer and the deputy chief executive officer*

- (1) A co-operative may have a chief executive officer, if so stipulated in the rules or if the board of directors so decides.
- (2) The chief executive officer shall be appointed by the board of directors or, if so stipulated in the rules, by the supervisory board or the general meeting of the co-operative. The chief executive officer shall produce a duly dated and written document to the effect that he or she consents to being appointed to the position.

- (3) The provisions in this Act on the chief executive officer apply also to the deputy chief executive officer.

Section 5 — *Eligibility of a director and the chief executive officer*

- (1) At least one half of the directors, as well as the chief executive officer, shall be resident in the European Economic Area, unless the Ministry of Trade and Industry grants the co-operative a dispensation from this provision.
- (2) A person without legal capacity and a bankrupt person cannot serve as a director or as the chief executive officer.

Section 6 — *General duties of the board of directors and the chief executive officer*

- (1) The board of directors and the chief executive officer shall promote the interests of the co-operative with due care and manage its affairs in accordance with this Act and the rules.
- (2) The board of directors shall see to the management of the co-operative and the appropriate arrangement of its operations. If the co-operative has a chief executive officer, he or she shall see to the running management of the co-operative in accordance with the orders and instructions of the board of directors. The chief executive officer may undertake measures that are exceptional or extensive in view of the extent and nature of the operations of the co-operative only if so authorised by the board of directors or if essential damage to the operations of the co-operative would ensue from waiting for the decision of the board of directors. In the latter event, the board of directors shall be notified of the measure as soon as possible.
- (3) The board of directors shall see to it that the monitoring of the accounts and the financial management is appropriately arranged. The chief executive officer shall see to it that the accounts of the co-operative are lawfully kept and the financial management reliably arranged.

Section 7 — *Relations within a corporate group*

If the co-operative has become a parent co-operative, the board of directors shall without delay notify the same to the board of directors or the corresponding organ of the subsidiary. The board of directors or the corresponding organ of the subsidiary shall provide the board of directors of the parent co-operative the information necessary for the assessment of the status of the corporate group and the calculation of the results of its operations.

Section 8 — *Chairperson and meeting of the board of directors*

- (1) If the board consists of several directors, one director shall chair its meetings. The chairperson shall be chosen by the board of directors, unless otherwise stipulated in the rules or unless otherwise decided when the board of directors is chosen. If there is a tied vote in the board of directors, the chair shall be selected by drawing lots.
- (2) The chairperson shall see to it that the board of directors meets when necessary. The chairperson shall call the board of directors to a meeting if a director or the

chief executive officer so requests. Even if not a director, the chief executive officer has the right to attend the meetings of the board of directors and to speak there, unless the board of directors in a given situation otherwise decides.

- (3) Minutes shall be kept of the meetings of the board of directors, to be signed by the person chairing the meeting and, if there are several directors, also by at least one director appointed to the task by the board of directors. A director and the chief executive officer have the right to have a dissenting opinion entered into the minutes. The minutes of the meetings shall be given consecutive numbers and archived reliably.

Section 9 — *Decision of the board of directors*

- (1) The board of directors shall have a quorum with more than half the directors present, unless a higher figure is stipulated in the rules. However, no decision shall be made unless all directors have been reserved, as far as possible, the opportunity to participate in the consideration of the matter. If a director is prevented from attending, the respective alternate director shall be reserved an opportunity to participate in the consideration of the matter.
- (2) Unless a qualified majority is required in the rules, the decision of the board shall be the opinion receiving the support of over half the directors present or, if there is a tie, the opinion receiving the support of the chairperson.

Section 10 — *Disqualification*

A director or the chief executive officer shall not participate in the consideration of a matter pertaining to an agreement between him or her and the co-operative. In addition, he or she shall not participate in the consideration of a matter pertaining to an agreement between the co-operative and a third party, if he or she can expect to gain a particular benefit from the same and this may be contrary to the interests of the co-operative. The provisions here on an agreement apply correspondingly to judicial proceedings and other transactions, as well as to a donation given by the co-operative.

Section 11 — *Principle of equality and non-implementation*

- (1) The board of directors and the chief executive officer shall not enter into transactions or undertake other measures that are conducive to conferring an unjust benefit to a member or a third party to the detriment of the co-operative or another member.
- (2) A representative of the co-operative shall not comply with a decision of the general meeting of the co-operative or another organ of the co-operative that is invalid owing to it being contrary to this Act or the rules.

Supervisory board and other organs

Section 12 — *Choice of the supervisory board*

- (1) It may be stipulated in the rules that the co-operative is to have a supervisory board.

- (2) The supervisory board shall consist of at least three supervisors. The chief executive officer or a director shall not be a supervisor. The number of supervisors and possible alternate supervisors, or the minimum and maximum numbers thereof, as well as their term in office shall be stipulated in the rules.
- (3) The supervisory board shall be chosen by the general meeting of the co-operative.
- (4) The provisions in sections 1(4)—(6), 2, 3 and 5 on the directors and alternate directors apply also to the supervisors and alternate supervisors.

Section 13 — *Duties of the supervisory board and meeting of the supervisory board*

- (1) The supervisory board shall supervise the management of the co-operative, as carried out by the board of directors and the chief executive officer, and issue the ordinary general meeting of the co-operative with an opinion on the annual accounts. The board of directors and the chief executive officer shall provide the supervisory board and a supervisor with the information these deem necessary for the performance of their duty. A supervisor shall request the said information in the meeting of the supervisory board. The supervisory board may issue instructions to the board of directors regarding matters that are extensive or significant in terms of principle.
- (2) It may be stipulated in the rules that:
 - (1) the supervisory board is to appoint the board of directors and set the fees of the directors;
 - (2) the supervisory board is to appoint the chief executive officer and the other senior management of the co-operative and decide on their remuneration;
 - (3) the supervisory board is to decide on matters pertaining to a significant cutback or expansion in operations or an essential reorganisation of the co-operative; and
 - (4) the supervisory board is to see also to other duties that under this Act are in the competence of the board of directors.
- (3) However, no stipulation shall be taken into the rules to the effect that the supervisory board is to perform duties relating to the running management, account-keeping and financial management referred to in section 6. Likewise, no stipulation shall be taken into the rules to the effect that the right of the board of directors, a director or the chief executive officer to represent the co-operative is restricted. The board of directors shall have no competence in matters assigned to the supervisory board, unless otherwise stipulated in the rules.
- (4) The provisions in sections 8—11 on the board of directors and a director apply, in so far as appropriate, to the supervisory board and a supervisor.

Section 14 — *Other organs*

Stipulations may be taken into the rules also on other organs of the co-operative. Such other organs shall not be assigned duties that under this Act belong to the general meeting of the co-operative, the delegates, the electors, the board of directors, the chief executive officer or the supervisory board.

Representation of the co-operative

Section 15 — *General right of representation and specific right to sign on the behalf of the co-operative*

- (1) The board of directors shall represent the co-operative and sign on its behalf.
- (2) It may be stipulated in the rules that a director or the chief executive officer is entitled to sign on the behalf of the co-operative or that the board of directors is entitled to confer this right to a director, the chief executive officer or some other person. The provisions in sections 5, 10 and 11 on the chief executive officer apply also to a person entitled to sign on the behalf of the co-operative, where he or she is not a director or the chief executive officer.
- (3) The right to sign on the behalf of the co-operative may be restricted so that two or more persons are only together entitled to sign on the behalf of the co-operative. Restrictions other than the above shall not be entered into the Trade Register.
- (4) The board of directors and the supervisory board may at any time revoke a conferred right to sign on the behalf of the co-operative.
- (5) The Procuration Act (130/1979; *prokuralaki*) contains provisions on procurations.

Section 16 — *Right of the chief executive officer to represent the co-operative*

The chief executive officer is entitled to represent the co-operative in a matter that under section 6 belongs to his or her duties.

Section 17 — *Overstepping of the competence or authority of a representative*

- (1) A transaction entered into on the behalf of the co-operative by a representative referred to in section 15 or 16 shall not be binding on the co-operative if:
 - (1) the representative has overstepped a restriction of his or her competence, as provided in this Act;
 - (2) the representative has overstepped a restriction provided in section 15(3); or
 - (3) the representative has overstepped his or her authority and the person to whom the transaction was directed knew or should have known of this authority having been overstepped.
- (2) In the case referred to in paragraph (1)(3), the mere fact that the restrictions of authority have been registered and promulgated shall not constitute sufficient proof that the person to whom the transaction was directed knew or should have known of the authority having been overstepped.

Chapter 6 — **Annual accounts and consolidated accounts**

Section 1 — *Duty to prepare annual accounts and the application of the Accounting Act*

- (1) The annual accounts shall be prepared in accordance with the provisions of the Accounting Act and this Act.
- (2) As provided in the Accounting Act, the Accounting Board may issue instructions and opinions on the application of the provisions in this chapter.

- (3) The annual accounts shall be given to the auditors no later than one month before the ordinary general meeting of the co-operative where the income statement and balance sheet are to be submitted for approval.

Section 2 — *Capital of a co-operative*

- (1) The capital of a co-operative shall consist of:
 - (1) share capital;
 - (2) supplementary share capital;
 - (3) investment share capital;
 - (4) the premium fund;
 - (5) the revaluation fund;
 - (6) the reserve fund;
 - (7) the surplus or loss; and
 - (8) capital loans.
- (2) The surplus from the financial year shall be entered as an increase of the surplus carried forward or as a decrease of the losses carried forward from preceding financial years. Similarly, the loss from the financial year shall be entered as a decrease of the surplus carried forward or an increase of the losses carried forward from the preceding financial years.
- (3) Entries may be made into the capital on the balance sheet of the co-operative regarding accession charges and other items whose payment, refunding and reduction, as well as whose consideration and security, are governed by terms corresponding to the provisions in this Act on the items referred to in paragraph (1)(1)—(4), (1)(6) or (1)(7). Stipulations shall be taken into the rules on an item of this kind, if its terms correspond to the provisions in this Act on the items referred to in paragraph (1)(1)—(4) or (1)(6). An item of this kind shall be entered into the capital on the balance sheet as is required by its particular terms.
- (4) The provisions in chapter 8, section 8, on the unlawful distribution of assets apply to the refunding and reduction of an item referred to in paragraph (3) as well as to the consideration and security for the same.

Section 3 — *Loans and security to related parties and to other members*

- (1) Separate entries shall be made on the balance sheet or the notes thereof on:
 - (1) the sum total of the loans extended to a person belonging to the management of the co-operative, to another person referred to in section 4(1)(3) or to a private individual, organisation or foundation whose relationship to these persons is such as referred to in section 4(1)(4) or 4(1)(5), as well as the essential information on the terms and servicing of these loans;
 - (2) the sum total of the loans extended to parties under the dominant influence of the co-operative and to others referred to in section 4(1)(1), as well as the essential information on the terms and servicing of these loans;
 - (3) the sum total of money loans extended to a member owning at least one per cent of the shares or the votes in the co-operative, to another person referred to in section 4(1)(2) or to a private individual, organisation or foundation

whose relationship to these persons is such as referred to in section 4(1)(4) or 4(1)(5), provided that the sum total exceeds EUR 20,000 or 5 per cent of the capital on the balance sheet or consolidated balance sheet:

- (4) the sum total of money loans extended to other members of the co-operative, provided that the sum total exceeds EUR 20,000 or 5 per cent of the capital on the balance sheet or consolidated balance sheet;
 - (5) the obligations and commitments undertaken to the benefit of someone referred to in subparagraphs (1)—(4), set out in the corresponding manner;
 - (6) the obligations and commitments undertaken to the benefit of a organisation belonging to the same corporate group as the co-operative.
- (2) The provisions in paragraph (1)(2) and (1)(3) do not apply in so far as the corresponding information is included in the receivables from enterprises in the same corporate group and from cross-holding enterprises, as referred to in the Accounting Decree (1339/1997).

Section 4 — *Related parties*

- (1) The following shall be related parties of a co-operative:
- (1) a person with dominant influence over the co-operative; a person who is under the dominant influence of a person with dominant influence over the co-operative; and a person belonging to the same corporate group as the co-operative;
 - (2) a person who through membership has at least one per cent of the shares or votes in the co-operative; and a person who has or may have corresponding shares or voting rights, based on membership, ownership, option or convertible bond, in an organisation belonging to the same corporate group as the co-operative or in an organisation or foundation with dominant influence over the co-operative;
 - (3) the chief executive officer; a director; a supervisor; or an auditor of the co-operative; and a person in a corresponding position in an organisation or foundation referred to in subparagraph (1);
 - (4) the spouse or domestic partner of a person referred to in subparagraphs (1)—(3); a sibling or a half-sibling thereof; a descending or ascending relative of a person referred to in subparagraphs (1)—(3) or the spouse or domestic partner of such a person; as well as the spouses and domestic partners of all of the above;
 - (5) an organisation and a foundation under the dominant influence of a person referred to in subparagraphs (2)—(4) alone or with someone else.
- (2) In the calculation of the shares and voting rights referred to in paragraph (1)(2), the provisions in chapter 1, section 5(2) and (3), of the Accounting Act apply; the share of a shareholder or member shall be considered to contain also the shares and voting rights of a private individual related to him or her as referred to in paragraph (1)(4) and the shares and voting rights of an organisation or foundation related to him or her as referred to in paragraph (1)(5).

Section 5 — *Categorisation of the capital*

The following information shall be provided on the balance sheet or the notes thereof:

- (1) the share capital, the supplementary share capital, the investment share capital and the capital referred to in section 2(3), itemised by share type;
- (2) for any capital loan, the essential terms and the interest or other consideration accruing on the loan and not charged as an expense;
- (3) the time of issue and the terms of the supplementary shares and investment shares based on options and convertible bonds issued by the co-operative, as well as the number of shares and the sum total of share prices based on options and convertible bonds, itemised by share type;
- (4) the sum total of the share prices and the acquisition cost of own investment shares held by the co-operative and of shares, supplementary shares and investment shares in the parent co-operative, itemised by share type;
- (5) the amounts to be refunded and the time of refund of the share prices and supplementary share prices, owing to the end of membership or the decrease of share prices or supplementary share prices or the reduction of the number of shares or supplementary shares under this or a preceding annual accounts, itemised by share type.

Section 6 — *Payment in kind and other special terms for the issue of shares*

- (1) The balance sheet or the notes thereof shall contain the information essential for the assessment of the payment in kind for a share, supplementary share and investment share during the financial year and on other special terms referred to in chapter 9, section 7; such information includes at least:
 - (1) information on the person to whom the special term applies, as referred to in chapter 2, section 2(2);
 - (2) information on the property devolving on the co-operative;
 - (3) the value at which the property is to be entered into the balance sheet;
 - (4) information on the valuation methods used in the appraisal of the property and the results obtainable with them;
 - (5) information on the number of shares, supplementary shares and investment shares to be issued in consideration of the property, and on any other consideration given.
- (2) If a written agreement is concluded or a written commitment given on a matter covered by a special term referred to in paragraph (1), the document, a copy thereof or a reference to the document and the location where it is kept available shall be attached to the annual accounts. If a business is handed in to the co-operative in consideration of shares or if a business is otherwise acquired for the co-operative, the annual accounts of the business for the past two financial years and any later interim accounts shall also be attached to the annual accounts of the co-operative. In addition, the annual accounts of the co-operative shall contain an account of the result and economic standing of the business from the period subsequent to the latest annual accounts or interim accounts. If there are no such

statements, the annual accounts of the co-operative shall contain an account of the result and economic standing of the business from the past two financial years.

Section 7 — *Annual report*

- (1) In addition to what is provided in the Accounting Act, the annual report shall contain:
 - (1) a proposal for measures on the surplus or loss of the co-operative;
 - (2) a cash flow statement, if at least two of the thresholds referred to in chapter 3, section 9(2), of the Accounting Act have been crossed both during the past financial year and the immediately preceding financial year;
 - (3) information on foreign branches;
 - (4) if the co-operative has become a parent co-operative, a note of the same;
 - (5) information on the total numbers of members and shares in the beginning and at the end of the financial year, if the rules contain a stipulation on the members' liability for refinancing;
 - (6) a report, if the co-operative has been the acquiring co-operative in a merger or if the co-operative has been divided.
- (2) The cash flow statement shall contain information on the acquisition and use of funds during the financial year.

Section 8 — *Consolidated accounts*

- (1) In the preparation of consolidated accounts, the provisions in sections 1—7 apply, in so far as appropriate, in addition to the Accounting Act.
- (2) Consolidated accounts shall be prepared always if the parent co-operative refunds share prices, supplementary share prices or investment share prices, otherwise distributes funds to the members or other owners of shares, supplementary shares or investment shares, or pays off capital loan, services a capital loan or pays other benefit on a capital loan.
- (3) In addition to what is provided in the Accounting Act, the annual report of the parent co-operative shall contain:
 - (1) a consolidated cash flow statement, as referred to in section 7(1)(2), of the parent co-operative is under the Accounting Act liable to prepare consolidated accounts;
 - (2) the amount of the surplus of the corporate group or of the other items referred to in section 2(3) which under the rules or by-laws of an organisation belonging to the group are to be charged to a reserve fund or to comparable capital.

Section 9 — *Registration of the annual accounts*

- (1) The co-operative shall notify the annual accounts for registration within two months of the approval of the income statement and the balance sheet. A copy of the audit report and a written notification by a director or the chief executive officer on the date of approval of the annual accounts and the decision of the general meeting of the co-operative shall be attached to the registration

notification. A parent co-operative shall notify also the consolidated accounts and the audit report on the corporate group for registration.

- (2) If the duty laid down in paragraph (1) is not fulfilled, the registration authority may compel the chief executive officer or a director to fulfil it within a set period, under threat of a fine.
- (3) The decision of the registration authority on the imposition of a threat of a fine shall not be open to appeal.

Chapter 7 — **Audit, member's right of inspection and special audit**

Audit and auditors

Section 1 — *Application of the Auditing Act*

- (1) The provisions in this chapter and in the Auditing Act (936/1994; *tilintarkastuslaki*) apply to the audit of a co-operative.
- (2) For purposes of this Act, 'certified auditor' is defined as a person or an organisation referred to in section 2(2) of the Auditing Act.

Section 2 — *Appointment of the auditor and alternate auditor*

- (1) A co-operative shall have an auditor. It may be stipulated in the rules that the co-operative is to have several auditors. The auditors shall be appointed by the general meeting of the co-operative. If, under the rules, the co-operative has several auditors, it may be stipulated in the rules that one or some of these, but not all, are to be appointed according to some other procedure.
- (2) In addition, the general meeting of the co-operative may appoint one or several alternate auditors. The Auditing Act contains provisions on the duty to appoint alternate auditors. The provisions in this Act and in the Auditing Act on an auditor apply also to an alternate auditor.
- (3) Each auditor and alternate auditor shall produce a duly dated and written document to the effect that he or she consents to being appointed to the position.

Section 3 — *Duty to appoint a certified auditor*

The Auditing Act contains provisions on the duty to appoint a certified auditor. A certified auditor shall be appointed also for a co-operative other than one referred to in section 11 or 12 of the Auditing Act, if the members so request. The members requesting the same must have at least one fourth, or the smaller proportion as stipulated in the rules, of the total votes of the members of the co-operative. The request shall be made in the general meeting where the auditors are to be appointed. If the general meeting of the co-operative nevertheless does not appoint a certified auditor, the State Provincial Office shall appoint a certified auditor in accordance with the procedure provided in section 27(1) or (3) of the Auditing Act, provided that a member petitions for the appointment of a certified auditor within one month of the general meeting.

Section 4 — *Auditor's term in office*

The auditor shall hold office until further notice, unless a fixed term in office is stipulated in the rules. The term shall end at the end of the general meeting deciding on the appointment of a new auditor, unless otherwise stipulated in the rules or unless otherwise decided when the new auditor is appointed.

Section 5 — *Additional auditor*

A member may move for the appointment of one auditor to participate in the audit in addition to the other auditors. The motion shall be put forward in the general meeting of the co-operative where the auditors are to be appointed or where this matter is to be considered according to the notice of convocation. If the motion receives the support of members with at least one fourth, of the smaller proportion as stipulated in the rules, of the total votes of the members of the co-operative, a member may, within one month of the general meeting, petition that the State Provincial Office appoint a certified auditor to the position. After having heard the board of directors of the co-operative, the State Provincial Office shall appoint the auditor for a term ending at the end of the ordinary general meeting to be held during the following financial year.

Member's right of inspection and special audit

Section 6 — *Member's right of inspection in a closed co-operative*

- (1) A member of a co-operative with at most ten members has the right to inspect the accounts of the co-operative and the other documents pertaining to its operations, as far as is required for the evaluation of the items referred to in chapter 4, section 18(1).
- (2) The board of directors may refuse the right of inspection in so far as it considers that it would be essentially detrimental to the co-operative. The duty of the board of directors to give access to information to the auditors is governed by the provisions in chapter 4, section 18(3). However, the time limit for the granting of access and for the opinion of the auditors shall be counted from the date when the right was requested.
- (3) The member is entitled to retain the services of counsel and, after having reimbursed the co-operative for its costs, to receive copies of the accounts and the documents. The board of directors may prohibit the use of other persons than certified auditors as counsel.
- (4) The member or the counsel shall not disclose or use information received under this section, if the disclosure or use of the information may give rise to essential detriment to the co-operative.

Section 7 — *Special audit*

- (1) A member may request a special audit of the management and accounts of the co-operative for a given past period, or of given measures or circumstances. The motion to this effect shall be put forward in the ordinary general meeting of the co-operative or in that general meeting where the matter is to be considered in

accordance with the notice of convocation. If the motion receives the support of members with at least one fourth, or the smaller proportion as stipulated in the rules, of the total votes of the members of the co-operative, a member may, within one month of the general meeting, petition that the State Provincial Office appoint a special auditor.

- (2) Before appointing a special auditor, the State Provincial Office shall hear the board of directors of the co-operative and, if the requested special audit concerns measures undertaken by a named person, also that person. The petition shall be granted, if it is deemed that there are persuasive reasons for the special audit. The State Provincial Office may appoint one or several auditors.
- (3) The provisions on an auditor in chapter 20, sections 4–6, and chapter 23, section 4, as well as in sections 10, 15, 21–25 and 44 of the Auditing Act, apply correspondingly to a special auditor referred to in this section.
- (4) A report of the special audit shall be submitted to the general meeting of the co-operative. For at least a week before the general meeting, the report shall be held available to the members in the head office of the co-operative, and without delay sent to a member who requests the same, as well as held available at the general meeting. The special auditor is entitled to a fee, to be paid by the co-operative.

Chapter 8 — **Use of assets, reserve fund, premium fund and revaluation fund**

General provisions

Section 1 — *Lawful distribution of assets*

- (1) Assets of the co-operative may be distributed to the members and their successors only in accordance with the provisions in this Act on:
 - (1) the distribution of surplus;
 - (2) the share price refunds at the end of membership and when the number of outstanding shares is being reduced;
 - (3) the refund of supplementary share prices and investment share prices;
 - (4) the distribution of assets in the context of a decrease of share prices, supplementary share prices, the reserve fund, the premium fund and the investment share capital;
 - (5) the acquisition of own investment shares or the investment shares of the parent co-operative, or the acceptance of the same as collateral;
 - (6) the distribution of assets at the dissolution, merger or division of the co-operative, the reincorporation of the co-operative as a limited-liability company and the deregistration of the co-operative.
- (2) No distribution of assets shall take place before the co-operative has been registered.

Surplus and the distribution thereof

Section 2 — Right to the surplus and the basis for its distribution

- (1) Any surplus may be distributed to the members only if so stipulated in the rules. If there are no stipulations in the rules on the basis for the distribution, the distribution shall take place in proportion to the use of the services of the co-operative by the members.
- (2) It may be stipulated in the rules that the surplus or a part thereof is to be distributed:
 - (1) as interest or other benefit accruing on the paid-up share prices;
 - (2) in proportion to the use by the members of the services offered or otherwise arranged by the co-operative, as referred to in chapter 1, section 2(1); or
 - (3) in some other manner stipulated in the rules.

Section 3 — Distributable surplus

- (1) The distribution of the surplus shall not exceed the sum of the surplus shown on the balance sheet as approved for the latest financial year and the other amounts comparable to surplus, as referred to in chapter 6, section 2(3), less the amounts referred to in paragraph (2).
- (2) In the calculation of the distributable surplus, the following amounts shall be subtracted from the sum referred to in paragraph (1):
 - (1) the loss shown on the balance sheet, when this has not been subtracted from the surplus;
 - (2) an amount corresponding to the incorporation costs as capitalised on the balance sheet;
 - (3) an amount corresponding to the research costs and the development costs other than those referred to in chapter 5, section 8, of the Accounting Act, as capitalised on the balance sheet;
 - (4) an amount that under the rules is to be credited to the reserve fund, used for some other purpose or otherwise left undistributed.

Section 4 — Additional restrictions on the distributable surplus

- (1) In addition, in the calculation of the distributable surplus, the following amounts shall be subtracted from the surplus shown on the balance sheet:
 - (1) the sum total of accelerated refunds of share prices, as provided in chapter 10, section 4;
 - (2) the sum total of the interest or other benefit accruing on a capital loan, as provided in chapter 13, section 1.
- (2) One half of the surplus due to be distributed to a member shall be withheld so as to cover the share prices that the member has not yet paid up, unless otherwise stipulated in the rules.
- (3) The prohibition of distribution of assets, arising from a decrease of the share price, supplementary share price and investment share price or a decrease of the paid-up amount of the same, a reduction of the number of outstanding shares, supplementary shares and investment shares or a decrease of the reserve fund or

the premium fund shall be governed by the provisions in sections 10 and 11, chapter 10, sections 9, 12 and 13, chapter 11, section 3, and chapter 12, section 1.

Section 5 — *Distributable surplus of the parent co-operative*

- (1) The distributable surplus of a parent co-operative shall be the smaller of the amounts calculated on the basis of its own balance sheet and the consolidated balance sheet.
- (2) The distributable surplus based on the consolidated balance sheet shall be calculated, in so far as appropriate, in accordance with the provisions in sections 3 and 4. The following shall be omitted from the distributable surplus based on the consolidated balance sheet:
 - (1) the surplus or profit of a subsidiary subject to a restriction of distribution comparable to that provided in chapter 10, section 9(3); and
 - (2) any optional provisions, as referred to in the Accounting Act, on the balance sheets of organisations in the corporate group, where entered onto the consolidated balance sheet as capital, and any differences between realised depreciations and planned depreciations, where entered onto the consolidated balance sheet as capital.

Section 6 — *Decision to distribute surplus*

- (1) The decision to distribute surplus shall be made by the general meeting of the co-operative.
- (2) The general meeting of the co-operative may decide to distribute surplus in excess of what has been proposed or approved by the board of directors only if it is under the rules bound to do so.

Prohibition to finance own shares and unlawful distribution of assets

Section 7 — *Prohibition to finance own shares, supplementary shares or investment shares*

- (1) The co-operative shall not grant monetary loans or provide other assets of the co-operative for the purpose of the recipient or a related party of his/hers, as referred to in chapter 6, section 4, using the same to make a payment for a share, supplementary share or investment share of the co-operative or another organisation or for the subscription price of stock in a limited-liability company in the same corporate group. The same applies to other financing of share prices or subscriptions in a organisation within the same corporate group.
- (2) The provisions in this section do not apply to loans referred to in section 23 of the Personnel Fund Act (814/1989; *henkilöstörahoituslaki*). However, a loan of this sort may be granted only within the scope of the distributable surplus.
- (3) The provisions in this section on the granting of a monetary loan apply correspondingly to the provision of security for an obligation of a person referred to in this section.

Section 8 — *Unlawful distribution of funds*

- (1) A member shall refund the assets received from the co-operative in violation of this Act, with the annual interest referred to in section 3(2) of the Interest Act

(633/1982; *korkolaki*), unless that member had justifiable reason to believe that the assets had been distributed in accordance with this Act.

- (2) The persons participating in the decision on the distribution of assets, its implementation, the preparation of the erroneous balance sheet on which the decision was based, and the approval of the balance sheet shall be jointly and severally liable, after the refunds, for the replenishment of any shortfall, as provided in chapter 20, sections 1–3, and section 44 of the Auditing Act.

Reserve fund, premium fund and revaluation fund

Section 9 — Reserve fund and reserve requirement

- (1) A co-operative shall have a reserve fund. Five per cent of the surplus of the financial year, as shown on the balance sheet, less the losses of the preceding financial years, as shown on the balance sheet, shall be credited to the reserve fund. The reserve fund shall be augmented until it equals or exceeds one per cent of the balance sheet total of the co-operative. In any event, the reserve fund shall be augmented up to EUR 2,500.
- (2) Stipulations may be taken into the rules on a reserve fund and on annual augmenting in excess of what is provided in paragraph (1).
- (3) The general meeting of the co-operative may also otherwise decide that the reserve fund be augmented from the surplus and the revaluation fund.

Section 10 — Decrease of the reserve fund

- (1) The reserve fund may be decreased by the decision of the general meeting of the co-operative only for the purpose referred to in chapter 10, section 7, and for the implementation of a bonus issue of investment capital, as provided in chapter 12. The provisions in chapters 4 and 10 on the decision to decrease share prices apply, in so far as appropriate, to the decision.
- (2) If the reserve fund is decreased in order to cover a loss, the fund shall have been decreased when the decision is made. In this event, the co-operative shall not distribute any surplus before one year has elapsed from the end of the financial year during which the decision to decrease was made.
- (3) If the reserve fund is decreased otherwise than in order to cover a loss, the implementation of the decision shall be dependent on the permission of the registration authority. However, no permission shall be required if the reserve fund, the premium fund or the investment share capital is at the same time increased by an amount corresponding to the decrease. The permission shall be applied for within one month of the decision to decrease the reserve fund; failing this, the decision shall lapse. The decision and its appendices shall be appended to the application. In other respects, the provisions in chapter 16, sections 13-15, apply to the application. The reserve fund shall have been decreased when the permission is granted.

Section 11 — Premium fund

- (1) The following shall be credited to a premium fund:

- (1) the part of the paid-up share prices, supplementary share prices and investment share prices that are not to be refunded, used to cover a loss in an approved annual accounts or credited to another fund to be used in accordance with the decisions of the general meeting of the co-operative; and
 - (2) the capital gain on the sale of own investment shares and the investment shares of the parent co-operative.
- (2) In addition, an accession charge and another item referred to in chapter 6, section 2, whose terms correspond to the provisions in this section on the premium fund, may also be credited to the premium fund.
 - (3) The provisions in section 10 on the decrease of the reserve fund apply to the decrease of the premium fund.

Section 12 — *Revaluation fund*

- (1) The revaluation fund may be used only for augmenting the reserve fund and for a bonus issue of investment share capital, as provided in chapter 12.
- (2) When an appreciation is being reversed, the capital entered into the revaluation fund shall be correspondingly decreased. If the revaluation fund has been used and cannot therefore be decreased by the reversed amount, the difference shall be entered as a reduction of the surplus.

Chapter 9 — **Shares, share prices, share capital and accession charges**

General provisions

Section 1 — *Shares*

- (1) Each member shall take one share, and pay to the co-operative the share price stipulated in the rules.
- (2) All shares confer an equal right in the co-operative, unless otherwise provided in this Act or stipulated in the rules.
- (3) The share prices shall be of an equal amount.

Section 2 — *Obligation to take several shares*

- (1) It may be stipulated in the rules that a member of the co-operative is under the obligation to take several shares at accession or during membership, and that this obligation is to diminish during membership. In this event, stipulations shall be taken into the rules on the bases for an increase and a diminution, as well as on the manner and time of payment of the new share prices.
- (2) If the obligation of a member to take new shares diminishes, the shares in excess of the obligation shall be transformed into voluntary shares, as referred to in section 3.
- (3) Notwithstanding the provisions in paragraph (2), it may be stipulated in the rules that the share price for a share transformed into a voluntary one is to be refunded as stipulated in the rules, or that the share is to be transformed into a supplementary share. In this event, the share shall be transformed into a supplementary share when the obligation to take shares diminishes. The share

price for a supplementary share of this sort may be refunded when at least a year has elapsed from the end of the financial year during which the share was transformed into a supplementary share.

Section 3 — *Voluntary shares*

- (1) It may be stipulated in the rules that the co-operative can issue voluntary shares to the members beyond that provided in sections 1 and 2. In this event, stipulations shall be taken into the rules on either of the following:
 - (1) the number, maximum number or basis for calculation of shares to be issued, the order in which the shares are to be issued and the method and time of payment of the new share prices; or
 - (2) the general meeting of the co-operative is to decide on the issue of shares or to authorise the board of directors to make this decision.
- (2) The authorisation shall be valid for at most five years from the decision of the general meeting of the co-operative.
- (3) In the situation referred to in paragraph (1)(1), the decision to issue shares shall be made by the organ of the co-operative deciding on admission to membership, unless otherwise stipulated in the rules. The items referred to in paragraph (1)(1) shall be mentioned in the proposed decision on the issue of shares or on the authorisation and in the decision of the general meeting of the co-operative; in addition, a decision on the authorisation shall indicate the duration of the authorisation. The decision of the board of directors shall indicate the items referred to in paragraph (1)(1). In other respects, the provisions in chapter 3, section 2, on accession to the co-operative apply to the issue of a voluntary share.
- (4) It may also be stipulated in the rules of the co-operative that the co-operative is to issue voluntary shares to the members. In this event, stipulations shall be taken into the rules also on the items referred to in paragraph (1)(1).
- (5) A member is entitled to reduce the number of his/her voluntary shares by way of a written notification to the co-operative, as provided in chapter 23, section 2(1). Stipulations may also be taken into the rules on some other manner in which the co-operative is to be deemed to have received the notification, and the board of directors may additionally designate someone to receive such notifications. Moreover, it may be stipulated in the rules that a member cannot reduce the number of his/her voluntary shares during a given period after the issue of the shares.

Section 4 — *Accession charges*

- (1) It may be stipulated in the rules that a member is to pay an accession charge to the co-operative in the beginning of membership or when the number of shares of the member increases.
- (2) The accession charge shall not be refundable, unless otherwise stipulated in the rules.
- (3) In other respects, the provisions in section 3(1)—(3) on voluntary shares apply to a stipulation in the rules, the decision of the general meeting of the co-operative

and the authorisation given to the board of directors, concerning accession charges.

Section 5 — *Share capital*

The total amount of the share prices for outstanding shares, as paid up to the co-operative at any given time, shall constitute the share capital.

Payment and collection of the share price

Section 6 — *Payment*

- (1) The share price shall be paid to the co-operative within a set period, in one or several instalments, as stipulated in the rules.
- (2) The share price may be paid also from the surplus due to a member or as a bonus issue, as provided in this Act.
- (3) It may be stipulated in the rules that the share price or a part thereof is to be paid primarily from the surplus due to the member during the set period. It may also be stipulated in the rules that, in this respect, the member is liable for the share price only if the co-operative loses its share capital or is surrendered into liquidation or bankruptcy, as provided in section 9(2) and (3).

Section 7 — *Payment in kind and the other special terms for the issue of a share*

- (1) It may be stipulated in the rules that a share can be issued subject to a right or an obligation to cover the respective share price with assets other than cash (*payment in kind*) or that a share can otherwise be issued subject to special terms.
- (2) A payment in kind may only be made with assets that have an economic value to the co-operative. A commitment to perform work or to provide a service shall not be used as payment in kind.

Section 8 — *Set-off and collection*

- (1) A share price may be set off against a receivable from the co-operative if the board of directors of the co-operative consents to the same. The board of directors shall not give its consent, if the set-off would be detrimental to the co-operative or its creditors.
- (2) Stipulations may be taken into the rules on the right of set-off. Likewise, stipulations on the right of set-off may be taken into the decision of the general meeting of the co-operative and the authorisation given to the board of directors for the issue of voluntary shares.
- (3) A share price shall not be set off against a receivable from the co-operative while the co-operative is in liquidation or bankruptcy.
- (4) The co-operative shall not assign or pledge a receivable based on a share price. If the co-operative is declared bankrupt, a receivable of this sort shall belong to the bankruptcy estate.
- (5) The board of directors shall without delay undertake collection measures regarding overdue share prices. The board of directors may note that the right to a voluntary share is forfeit, if the overdue amount, plus interest, is not paid within a month of the due date. If the right to a voluntary share is forfeit, the board of

directors may grant it to a third party, who then shall at once pay the overdue amount of the share price.

Section 9 — *Unpaid share price at the end of membership*

- (1) A former member shall not be liable for unpaid share prices.
- (2) However, a former member shall make a payment towards the same, if the co-operative does not have assets usable for a share price refund, as referred to in chapter 10, section 1 or 2, according to the annual accounts for the period during which the membership ended. In this event, the payment by the former member shall be proportionate to his/her share of the total amount of the loss shown on the balance sheet and the other undistributable items referred to in chapter 8, section 3(2) and 4, less the total amount of the share capital, the surplus and the other items usable for the share price refund referred to in chapter 10, section 1(3)(1). In any event, the liability of the former member shall not exceed the unpaid amount of the share price. The co-operative shall claim the payment within one year of the end of the financial year during which the membership ended.
- (3) Regardless of the end of membership, the share price shall be paid in full, if the co-operative is surrendered into liquidation or bankruptcy within one year of the end of the financial year during which the membership ended.
- (4) The unpaid share price may be collected from a decedent's estate in the situations referred to in paragraphs (2) and (3) also in the event that a successor has acceded to the co-operative in accordance with section 10(3).
- (5) The provisions above in this section apply also to the reduction of the number of shares.

Assignment of a share

Section 10 — *Right of assignment and the status of the assignee*

- (1) A member may assign the share to a third party, unless otherwise stipulated in the rules. A written notification of assignment to the co-operative shall have the same effect as if the assignor had notified his/her resignation or a reduction in the number of his/her shares.
- (2) If the assignee is admitted into membership in accordance with paragraph (3), he/she is entitled to credit towards the share price any payments made to the co-operative for the share price of the assignor. In this event, the assignee shall acquire also the other economic benefits and obligations arising from this Act and the rules that would have belonged to the assignor had his/her membership continued.
- (3) The assignee shall apply for admission to the co-operative within six months of the acquisition or, if the acquisition is based on a distribution of an estate or of matrimonial assets after the death of a member, within six months of the death. If the assignor does not apply for admission in time or if the application is rejected, he/she shall merely have the same right to a share price refund, the surplus and the other assets of the co-operative which the assignor would have had upon resignation.

- (4) The provisions in this section apply also to an assignee who is a member of the co-operative.

Section 11 — *Notification of an acquisition and of other rights*

- (1) The acquisition of a share, notified by the assignee to the co-operative, duly accounted for and with the asset transfer tax paid, shall without delay be entered into the membership register. The entry shall be dated. However, if the assignment or acquisition of a share is conditional on the consent of the co-operative or if a member of the co-operative has the right of pre-emption, the entry shall not be made before it is evident that the consent has been given or that the right of pre-emption has not been exercised.
- (2) Upon request, the co-operative shall without delay enter into the membership register anyone who produces documentary proof to the effect that he/she has a right to the assets refunded or distributed from the co-operative on the basis of a pledge, a commission or some other circumstance. The entry shall be dated. The entry shall be removed, when it has been shown that the right has been terminated.

Section 12 — *Persons entitled to exercise the rights based on a share*

- (1) The rights in a co-operative based on a share may be exercised only by a person who has been entered into the membership register or a person who has notified an acquisition or another right referred to in section 11 to the co-operative and duly accounted for the same.
- (2) If a share is owned jointly by several persons, they may exercise the rights in the co-operative based on the share only by means of a common representative.

Share certificate and interim certificate

Section 13 — *Issue of share certificates and other documents*

- (1) If there are stipulations in the rules on the right to accede to the co-operative as provided in chapter 3, section 2(2), it may also be stipulated in the rules that a share certificate or an interim certificate can be issued in respect of a share. In this event, the share certificate shall be issued, on request, to the owner of the share as entered into the membership register. The share certificate shall be issued to a named person; it may pertain to several shares. No share certificates shall be issued before the stipulations in the rules on the share capital have been registered and the share price has been paid up in full. The stipulations in the rules on the issue of share certificates may be deleted from the rules, once all share certificates and interim certificates have been voided or returned to the co-operative.
- (2) A share certificate shall indicate the name and register number of the co-operative, the consecutive number of the certificate, the number of shares to which the certificate pertains, and the name of the owner of the share. The share certificate shall be signed and dated by the board of directors of by a person

authorised by the board of directors. The signature on a share certificate may be stamped or reproduced in another comparable manner.

- (3) In addition, a share certificate shall indicate any restrictions to the assignment or acquisition of shares, based on this Act or the rules, and any liability for extraordinary payments or refinancing, or a pre-emption clause, based on the rules.
- (4) Vouchers entitling to the surplus to be distributed on the share may be attached to the share certificate. The provisions in sections 24 and 25 of the Promissory Notes Act (622/1947; *velkakirjalaki*) on a dividend coupon apply to such vouchers.
- (5) In addition, vouchers entitling to new shares may be attached to the share certificate. The provisions in sections 13, 14 and 22 of the Promissory Notes Act apply to such vouchers once the decision to issue new shares has been made. If a voucher has been acquired together with the share certificate, the right of the acquirer to the voucher shall not be better than his or her right to the certificate. The person possessing the voucher shall comply with the stipulations in the rules on the voucher. If the voucher has been conveyed separately from the share certificate before the decision to issue shares has been made, section 14 of the Promissory Notes Act does not apply.
- (6) Before issuing a share certificate, the co-operative may issue an interim certificate to a named person, pertaining to the right to one or several shares and containing a term to the effect that the share certificate will be issued only in exchange to the interim certificate. A note shall be made, on request, on the payments made towards the share price. In other respects, the provisions in paragraph (2) on the share certificate apply to the interim certificate.

Section 14 — *Assignment of the documents*

- (1) The provisions in sections 13, 14 and 22 of the Promissory Notes Act on negotiable debt instruments apply to the assignment and pledging of a share certificate and interim certificate. In the application of the said provisions, the person in possession of the share certificate or interim certificate and entered on the document as having been entered into the membership register as its owner shall correspond to a person who under section 13(2) of the Promissory Notes Act is presumed to have the right indicated in the debt instrument.
- (2) The provisions in section 12 do not apply to those rights based on a share that are to be exercised by producing or conveying the share certificate, the voucher referred to in section 13(4) or some other specific document issued by the co-operative.
- (3) If the latest assignment of the share that has been notified to the co-operative has been entered into the share certificate or interim certificate as an open assignment, the name of the new owner shall be entered into the share certificate or interim certificate before the acquisition is entered into the membership register. When the share certificate or interim certificate is presented to the co-operative, a note on the entry of the acquisition to the membership register, and the date of the entry, shall be made thereon.

Section 15 — *Entries in the share certificate*

- (1) On the request of the owner of the share, the board of directors shall, for a reasonable charge, split a share certificate or combine share certificates.
- (2) If, owing to a decrease of the share price, the reduction of shares, the dissolution of the co-operative, the merger of the co-operative into another co-operative, the division of the co-operative, or the reincorporation of the co-operative as a limited-liability company, the co-operative makes a payment to the owner of the share, a note to this effect shall without delay be made on the share certificate. A note shall likewise be made if the share has been voided or the share price has been diminished without a payment.
- (3) If a share certificate has been issued in lieu of another, invalidated certificate, a note to this effect shall be made thereon.
- (4) If, under this Act, a note is to be made on the share certificate, or if a share certificate is to be exchanged to two or more certificates on the basis of a decision of the general meeting of the co-operative on the division of shares, the co-operative may withhold the interest or other benefit accruing to the share until the share certificate has been presented for the said purpose. The co-operative may withhold the interest or benefit accruing to a share also if the share certificate is to be exchanged by reason of the share being transformed into a supplementary share or investment share.

Section 16 — *Bonus issue*

If a certificate has been issued for a share, and a new share to be issued for the share has not been claimed within ten years of the decision on a bonus issue, the new share shall be forfeit. The amount of the share price deemed to have been paid for a forfeited share shall be transferred from the share capital to the reserve fund.

Split and combination of shares

Section 17 — *Prerequisites for a split or a combination*

- (1) A share may be split into several shares and several shares may be combined into one share, provided that:
 - (1) the share price stipulated in the rules is altered to conform to the proportion of split or combined shares; and
 - (2) the total amount of share prices and the share capital remain unchanged.
- (2) In the split of a share, the part of the share price paid to the co-operative shall be divided among the share prices in proportion to the split shares, unless otherwise stipulated in the rules or the decision of the general meeting of the co-operative on the share split.

Increase of share price and issue of new shares

Section 18 — *Means to increase the share price*

- (1) The share price may be increased for a charge (*paid issue*), free of charge (*bonus issue*) or for a partial charge (*mixed issue*). A bonus issue and a mixed issue may be

effected also by the co-operative issuing new shares, supplementary shares or investment shares.

- (2) The decision to increase the share price shall be made by the general meeting of the co-operative. The provisions in chapter 4 on a rule amendment apply to the decision and the registration thereof. The decision shall not be made before the co-operative has been registered.
- (3) The provisions in sections 6—9 apply to the payment, collection and set-off of the issue.

Section 19 — *Paid issue*

- (1) A paid issue shall be effected by amending the stipulation in the rules on the share price and by obligating the members to pay to the co-operative the amount of the increase, as stipulated in the rules.
- (2) If the issue can be set off or covered by a payment in kind or otherwise on special terms, this shall be indicated in the proposed decision and the decision on the issue.

Section 20 — *Bonus issue*

- (1) A bonus issue shall be effected by amending the stipulation in the rules on the share price and by transferring distributable surplus into the share price of the members in the proportion to which the surplus can be distributed to the members in accordance with this Act and the rules. The right to a bonus issue shall belong to the members of the co-operative at the time of the decision on the bonus issue, unless otherwise provided in this section or unless otherwise stipulated in the rules or the decision on the issue.
- (2) The amount to be transferred to the share capital shall be indicated in the proposed decision and the decision on the issue.
- (3) The general meeting of the co-operative shall not decide on a bonus issue that would exceed that proposed or approved by the board of directors.
- (4) It may be stipulated in the rules that the bonus issue is not to be counted towards the paid-up part of the share price of the member or the person to whom the right of the member has been assigned in the calculation of the amount to be refunded of the share price or of the surplus to be distributed to the paid-up share price. The amount of a bonus issue of this sort shall be entered against the share in the membership register.
- (5) In addition, the general meeting of the co-operative may decide that a bonus issue is to be effected by issuing new shares to the members. In this event, the proposed decision and the decision shall indicate also the number of shares to be issued and the time of issue. In other respects, the provisions in paragraphs (1)—(4) apply, in so far as appropriate, to the proposed decision and the decision. A bonus issue of this sort shall take effect as from the issue of the new shares, if the issue is to be effected without an amendment of the rules.
- (6) Chapters 11 and 12 contain provisions on supplementary shares and investment shares in a bonus issue.

Section 21 — *Mixed issue*

- (1) A mixed issue shall be effected by amending the stipulation in the rules on the share price and by covering a part of the increase as a bonus issue and a part as a paid issue.
- (2) The proposed decision and the decision on a mixed issue shall indicate the information on a paid issue and, in addition, the amount that is to be transferred by way of a bonus issue into the share price of the member.
- (3) The general meeting of the co-operative may decide that a mixed issue is to be effected by issuing to the members new shares that have been partially funded by a bonus issue. In this event, the proposed decision and the decision shall indicate the information referred to in section 20(5) and, in addition, the amount that is to be transferred by way of a bonus issue into the share price of the member.

Section 22 — *Alteration of the duty of a member to take shares*

The duty of a member to take shares may be altered by way of amendment of the pertinent stipulations in the rules.

Chapter 10 — **Share price refunds and decreases and share reductions**

Share price refund at the end of membership

Section 1 — *Share price refund*

- (1) At the end of membership in a co-operative, the former member is entitled to a share price refund, as provided in this section and sections 2—6. An assignee of the member's rights shall be likewise entitled.
- (2) The amount to be refunded of a share price shall be calculated as the proportion of the refundable capital allocated to the paid-up amount of the share price. A bonus issue shall be deemed to have been paid up, unless otherwise stipulated in the rules. The maximum amount of the refund shall be the fully paid-up amount of the share price.
- (3) The paid-up share price shall be refunded in full, if the balance sheet of the co-operative shows a distributable surplus. If the co-operative does not have any distributable surplus, the refundable capital shall be calculated by:
 - (1) adding the surplus on the balance sheet, the voluntary reserves and the charge differential, less any deferred tax liabilities, to the share capital; and
 - (2) subtracting the loss and the other non-distributable items referred to in chapter 8, sections 3(2) and 4, from the share capital.
- (4) The refundable capital and the amount to be refunded of a share price shall be calculated on the basis of the annual accounts of the financial year during which the membership ended. The refund shall be paid within one year of the end of the financial year. The refund shall be considered paid when the amount to be refunded is available for withdrawal at the co-operative, unless otherwise stipulated in the rules or unless otherwise agreed. If the membership ends owing

to the death of the member, the amount to be refunded shall be paid within one year of the end of the financial year during which the co-operative was notified of the death.

- (5) The inclusion of the supplementary share capital, the investment share capital and the capital loans in the calculation of the refundable capital shall be governed by the provisions in chapter 11, section 9(3), chapter 12, section 1, and chapter 13, section 2(3), respectively.

Section 2 — *Refundable capital of a parent co-operative*

- (1) In a parent co-operative, the refundable capital shall be the smaller of the amounts calculated on the basis of its own balance sheet and the consolidated balance sheet.
- (2) The amount to be refunded on the basis of the consolidated balance sheet shall be calculated, in so far as appropriate, in accordance with section 1.

Section 3 — *Postponed refund*

- (1) Notwithstanding the provisions in section 1(4), it may be stipulated in the rules that a share price refund is to be paid later than one year after the end of the financial year referred to in the said section (*postponed refund*). In this event, stipulations shall be taken into the rules on the time of the share price refund and on the rights of the former member in the co-operative between the end of membership and the eventual share price refund. Notwithstanding the end of membership, chapter 4, section 19, and chapter 5, section 11, continue to apply to the former member until the postponed refund has been paid.
- (2) It may likewise be stipulated in the rules, notwithstanding the provisions in section 1(4), that the amount to be refunded is to be calculated on the basis of a later annual accounts than that referred to in the said section.

Section 4 — *Accelerated refund*

- (1) Notwithstanding the provisions in section 1(4), it may be stipulated in the rules that, within the limits of the distributable surplus, a member can receive a share price refund immediately at the end of membership or after the lapse of a given period, stipulated in the rules, from the end of membership (*accelerated refund*).
- (2) In this event, stipulations shall be taken into the rules on the procedure for an accelerated refund and on the maximum amount of share prices that can be refunded accelerated on the basis of one annual accounts; the said amount shall not exceed ten percent of the share capital in the annual accounts.
- (3) An amount corresponding to the accelerated refunds shall not be distributed as a surplus until one year has passed from the end of the financial year during which the membership ended.

Section 5 — *Retroactive refund*

- (1) Notwithstanding the provisions in section 1, it may be stipulated in the rules that the right to the share price refund remains, if the paid-up amount cannot be fully refunded as provided in sections 1—3 (*retroactive refund*). In this event, stipulations

shall be taken into the rules on the following: Which annual accounts or statements are to be used as the basis of the calculation of the retroactive refund, when the refund is to be paid and when the right to the refund is extinguished. Stipulations shall likewise be taken into the rules on the rights of the former member in the co-operative between the end of the membership and the payment of the retroactive refund. Notwithstanding the end of membership, chapter 4, section 19, and chapter 5, section 11, continue to apply to the former member until the retroactive refund has been paid.

- (2) The amount of a retroactive refund shall be calculated by taking the paid-up share price of the former member into account in full when making the calculation referred to in section 1(2). The amount already refunded shall then be subtracted from the refundable amount calculated in this manner. The amount of a retroactive refund shall always be calculated on the basis of an approved annual accounts, and paid, in so far as appropriate, in accordance with sections 1—4 and 6.

Section 6 — *Refunds in liquidation and bankruptcy and in the deregistration of the co-operative*

If the co-operative has been surrendered into liquidation or bankruptcy or deregistered before the share price has been refunded in accordance with sections 1—5, the refund shall be governed by the provisions in chapter 19 on the distribution of the assets of the co-operative.

Decrease of the share price and the paid-up amount thereof

Section 7 — *Share price decrease*

- (1) The share price may be decreased:
 - (1) in order to refund share prices to the members;
 - (2) in order to lessen the payment liability of the members;
 - (3) in order to transfer share capital into the reserve fund or to a fund corresponding to the surplus or reserve fund, as referred to in chapter 6, section 2(3);
 - (4) in order to cover a loss shown on the approved balance sheet from the share capital, in the event that the surplus referred to in chapter 6, section 2(7) and the corresponding items referred to in paragraph (3) of the same section are not sufficient for the same.
- (2) The share price shall be decreased by amending the pertinent stipulation in the rules. The paid-up amount of the share price may be decreased in order to cover a loss referred to in paragraph (1)(4) also without amending the rules.

Section 8 — *Decision on the decrease*

- (1) The general meeting of the co-operative shall decide on the decrease of the share price and the paid-up amount thereof, as provided in chapter 4, sections 21—23. The difference between the paid-up amount of the share price and the decreased share price shall be refunded to the members, unless otherwise stated in the decision. An equal amount of each share price shall be used to cover the loss,

unless otherwise stated in the decision. The provision on the covering of a loss applies also to transfers to the funds.

- (2) The provisions in sections 1 and 2 on the refundable capital apply to the capital available for the share price refund. The capital shall be calculated on the basis of the annual accounts of the period during which the decision to decrease the share price is registered. The same provision applies to a transfer to the fund corresponding to the surplus.
- (3) A decision to decrease the share price may be made once the co-operative has been registered. The decision to refund a share price or to transfer it to the fund corresponding to the surplus may only be made on the consent of the board of directors.
- (4) The proposed decision and the decision shall indicate the manner and amount of the decrease and the time of an eventual refund.

Section 9 — *Implementation of the decrease and restriction of surplus distribution*

- (1) An amendment to the rules pertaining to a share price decrease shall be notified for registration within one month; failing this, it shall lapse.
- (2) Chapter 4, section 21, applies to the implementation of a rule amendment pertaining to the decrease. If the paid-up amount of the share capital is decreased in order to cover a loss without amending the rules, the decrease shall take effect when the decision is made.
- (3) If the share price or the paid-up amount thereof is decreased in order to cover a loss, the co-operative shall not distribute any surplus before one year has lapsed from the end of the financial year during which the decision to decrease was registered or the decision on the decrease of the paid-up amount of the share price without amending the rules was made.
- (4) Notwithstanding the provisions in paragraph (3), surplus may be distributed if the share capital, the reserve fund, the premium fund of the investment share capital have been increased by a total at least equal to the amount of the decrease.

Reduction of the number of voluntary shares

Section 10 — *Right of a member*

- (1) A member shall have the right to reduce the number of his or her voluntary shares.
- (2) If a member dies or resigns from the co-operative, also the share price of the voluntary shares shall be refunded.
- (3) The reduction of the number of voluntary shares and the corresponding share price refund shall be governed by the provisions in chapter 9, section 3, and this chapter, sections 1—6, and in the stipulations in the rules. The reduction of the number of shares shall be notified to the co-operative in writing, as provided in chapter 3, section 4, and chapter 23, section 2(1).

Section 11 — *Right of the co-operative*

- (1) The general meeting of the co-operative may decide on a reduction of the number of voluntary shares in exchange for a refund or for no refund, as referred to in section 7(1), unless otherwise stipulated in the rules.
- (2) In addition, the general meeting of the co-operative may authorise the board of directors to decide on the reduction of the number of shares, if the paid-up amount of the share prices is to be refunded in full within one year of the end of the financial year during which the decision on the reduction is made. The authorisation shall not be valid for longer than one year from the decision of the general meeting of the co-operative.
- (3) A member's right to voluntary shares shall be terminated when the member is expelled. The refund payable for the paid-up share price corresponding to the shares shall be determined on the basis of the time of end of membership, unless otherwise stipulated in the rules.

Section 12 — *Decision of the general meeting of the co-operative and authorisation*

- (1) The general meeting of the co-operative shall decide on the reduction of the number of shares and on the authorisation to be given to the board of directors in accordance with the provisions in chapter 4, sections 21—23. The paid-up amount of the share prices for the shares to be reduced shall be refunded in full, unless otherwise stated in the decision. In order to cover a loss, shares shall be reduced in proportion to the paid-up amounts of the shares of the members, unless otherwise stated in the decision. The provisions on the covering of loss apply also to the transfer into funds.
- (2) The provisions in section 8(2) and (3) apply to the capital available for a share price refund and a transfer into funds, and to the decision to reduce. However, if the number of shares is reduced without amending the rules, the capital shall be calculated on the basis of the annual accounts for the financial year during which the decision to reduce is made.
- (3) The proposed decision and the decision of the general meeting of the co-operative shall indicate:
 - (1) the manner of reduction of the shares;
 - (2) the shares that are to be reduced;
 - (3) the order of reduction of the shares;
 - (4) the time of the share price refund;
 - (5) the period of validity of the authorisation.
- (4) A decision of the board of directors based on an authorisation shall indicate the matters referred to in paragraph (3)(1)—(3)(4).
- (5) The provisions in section 9 apply to the implementation of a decision on the reduction of the number of shares and to the restriction of surplus distribution. If the number of shares is reduced without amending the rules, the reduction shall take effect when the decision is made, and the share price may be refunded after the lapse of one year from the end of the financial year during which the decision

is made. This latter provision applies also to a transfer into the fund corresponding to the surplus.

Section 13 — *Redeemable shares*

- (1) Stipulations may be taken into the rules on the right of the co-operative to reduce the number of voluntary shares as provided in section 7(1) (*redeemable shares*). In this event, stipulations shall be taken into the rules on the matters referred to in section 12(3)(1)—12(3)(4).
- (2) The general meeting of the co-operative shall decide on the redemption, unless otherwise stipulated in the rules. The general meeting of the co-operative may authorise the board of directors to decide on the redemption, as provided in sections 11 and 12.
- (3) The provisions in section 12(2) and (5) apply to the capital available for a share price refund or a transfer into funds, the share price refund, the transfer into funds and the restriction of surplus distribution.

Chapter 11 — **Supplementary shares**

General provisions

Section 1 — *Supplementary shares*

- (1) It may be stipulated in the rules that the co-operative can also issue supplementary shares.
- (2) It may be stipulated in the rules that the co-operative can issue supplementary shares also to non-members.

Section 2 — *Contents of the rules*

- (1) Stipulations shall always be taken into the rules on:
 - (1) the number of supplementary shares, the basis for the issue thereof, and the time and manner of payment of the supplementary share prices, as provided in chapter 9, section 3(1);
 - (2) the nominal value of a supplementary share (*supplementary share price*);
 - (3) the interest or other benefit to be paid for the supplementary share out of the surplus;
 - (4) the rights conferred by the supplementary share if the co-operative merges with another co-operative, divides, is reincorporated as a limited-liability company, is surrendered into liquidation or is decided to be deregistered without prior liquidation.
- (2) Stipulations may be taken into the rules on such rights conferred by the supplementary share that are different from the stipulations in the rules applicable to shares.

Section 3 — *Application of provisions governing shares*

- (1) A supplementary share and its holder, the supplementary share price and the register of supplementary shares shall be governed, in so far as appropriate, by the

provisions of voluntary shares, share prices, members and the membership register in chapter 1, section 3, chapter 2, sections 2—4, chapter 3, sections 2—6, chapter 4, sections 19 and 21(2)—(3), chapter 5, section 11 and chapters 6, 8—10 and 14—23, unless otherwise provided in this chapter.

- (2) A supplementary share shall not confer:
 - (1) any right to vote in the general meeting of the co-operative;
 - (2) any right to use the services of the co-operative;
 - (3) any right to new shares;
 - (4) any right in the distribution of the surplus of the co-operative, other than the right to the interest or other benefit referred to in section 2(1)(3);
 - (5) any right to a bonus issue, to new supplementary shares or investment shares, or to the net assets of a dissolving co-operative;
 - (6) any right for the co-operative to decide on a chargeable raise of the supplementary share price, or the remittance of extraordinary payments or refinancing to the co-operative on the basis of the ownership thereof; or
 - (7) any right for the co-operative to decide on the reduction of the number of supplementary shares or the decrease of the supplementary share price or the paid-up amount thereof.
- (3) However, it may be stipulated in the rules that a supplementary share is to confer a right referred to in paragraph 2(4) or 2(5) and that the general meeting of the co-operative can make a decision referred to in paragraph 2(6) or 2(7). It may also be stipulated in the rules that a member is under the obligation to take supplementary shares or that the co-operative is to issue supplementary shares to the member.

Section 4 — *Supplementary share series*

- (1) All supplementary shares confer equal rights in the co-operative.
- (2) However, it may be stipulated in the rules that the co-operative has or can have different series of supplementary shares, conferring different rights or obligations. In this event, stipulations shall be taken into the rules on the differences between the supplementary share series.
- (3) If the co-operative has different supplementary share series, the register of supplementary shares shall indicate which series each supplementary share belongs to.

Decisions of the co-operative on supplementary shares

Section 5 — *Decision to issue supplementary shares*

The organ of the co-operative deciding on admission to membership shall make the decision to issue supplementary shares, unless otherwise stipulated in the rules.

Section 6 — *Support of the owners of supplementary shares*

- (1) If a decision of the general meeting of the co-operative pertains to an outstanding supplementary share or the owner of such a share in the manner referred to in chapter 4, section 22 or 23(1), the making of the decision shall require the support

provided in the said sections and the support of the owners of supplementary shares who have a majority of the votes of such owners, as referred to in the said sections. If the decision of the general meeting of the co-operative pertains to the addition of a stipulation referred to in section 3(3) to the rules in respect of an outstanding supplementary share, the making of the decision shall require the support of the members and the support of the owners of supplementary shares who have at least two thirds of the votes cast by the owners of supplementary shares. The latter provision applies also to the amendment of such a stipulation in the rules to the effect that the decision of the general meeting of the co-operative can be used to increase the payment liability of an owner of a supplementary share or to restrict the rights in the co-operative conferred by a supplementary share.

- (2) It may be stipulated in the rules that also a decision of the general meeting of the co-operative other than those referred to in paragraph (1) shall require the support of the owners of supplementary shares.
- (3) In a vote referred to in paragraph (1) or (2), one owner of a supplementary share shall have one vote, unless there are stipulations in the rules on differentiated numbers of votes between the owners of supplementary shares. In a matter of this kind, the owner of a supplementary share shall have the same rights as a member in the general meeting of the co-operative, with the exception of the right of the member to vote. In addition, the owner of a supplementary share is always entitled to bring an action referred to in chapter 4, section 26, for the overturning or alteration of a decision of the general meeting of the co-operative which is conducive to conferring an unjustified benefit referred to in chapter 4, section 19, to someone at the expense of the owner.
- (4) If the general meeting of the co-operative makes a decision referred to in paragraph (1) and the decision may increase the payment liability of the owner of a supplementary share or restrict the rights in the co-operative conferred by a supplementary share, the owner of a supplementary share is entitled to give up the supplementary share and to receive a refund of the supplementary share price, as provided in chapter 4, section 25.

Payment of the supplementary share price and the supplementary share capital

Section 7 — Payment and the commencement of rights and obligations

- (1) The supplementary share price shall be paid in one instalment, unless otherwise stipulated in the rules.
- (2) The rights and obligations in the co-operative conferred by a supplementary share shall commence when the stipulations in the rules on the supplementary shares have been registered and, unless otherwise stipulated in the rules, when the supplementary share price has been paid to the co-operative.

Section 8 — Supplementary share capital

The paid-up amount of the total supplementary share prices paid for outstanding supplementary shares shall constitute the supplementary share capital.

Refund of the supplementary share price and assignment of a supplementary share

Section 9 — Refund of the supplementary share price and the share price

- (1) A supplementary share price shall be refunded within six months of the end of the financial year on the basis of whose annual accounts the amount to be refunded is calculated in accordance with chapter 10. A supplementary share price shall not be refunded owing to the end of membership, if it is stipulated in the rules that supplementary shares can be issued also to non-members.
- (2) In the calculation of the capital available for the refund of a share price or the supplementary share price, the items referred to in chapter 10, section 1(3)(2), shall in the first place be subtracted from the capital available for the refund of a share price, unless otherwise stipulated in the rules.
- (3) If the co-operative is dissolved, the supplementary share prices shall be refunded before the share prices, unless otherwise stipulated in the rules.

Section 10 — Assignment of a supplementary share

A supplementary share may be assigned to a member or to another member to whom the co-operative could under the rules issue supplementary shares. Stipulations may also be taken into the rules on restrictions in the right to assign or to acquire supplementary shares.

Section 11 — Supplementary share certificates

- (1) It may be stipulated in the rules that a supplementary share certificate or an interim certificate can be issued for a supplementary share. In other respects, the issue of the supplementary share certificate and the other documents pertaining to a supplementary share shall be governed by the provisions in chapter 9, sections 13—16 on the share certificate and the other documents pertaining to a share.
- (2) If the co-operative has different supplementary share series, the supplementary share certificate shall indicate the series which the supplementary share belongs to.

Options and convertible bonds

Section 12 — Definitions

A co-operative may issue special rights to supplementary shares in the future (*option*). A co-operative may also issue a bond under terms that the bondholder has the right to convert the bond in full or in part into supplementary shares in the future (*convertible bond*).

Section 13 — Terms of options and convertible bonds

- (1) The terms of the supplementary shares to be issued in the future on the basis of an option or a convertible bond shall be indicated in the decision to issue options or convertible bonds. The terms shall be such that the supplementary shares can be issued without amending the rules.
- (2) It shall also be indicated in the decision what rights are conferred by an option or a convertible bond in the event that before the issue of the supplementary share:
 - (1) new supplementary shares are issued;

- (2) an option or convertible bond entitling to new supplementary shares is issued;
 - (3) the supplementary share price is increased or decreased or the number of supplementary shares is reduced; or
 - (4) the co-operative merges with another co-operative, divides, is reincorporated as a limited-liability company or surrendered into liquidation, or deregistered without prior liquidation.
- (3) The money payment to be made for a supplementary share issued on the basis of an option shall be at least the same as the supplementary share price. The terms of a convertible bond shall not be such that the issue price of the bond is less than the total supplementary share prices for the supplementary shares to be issued on the basis of the bond, unless the difference is covered by a money payment when the supplementary share is issued.

Section 14 — *Certificates of options and convertible bonds*

- (1) The owner of an option is entitled to a certificate from the co-operative to the effect that he or she has the right to a supplementary share.
- (2) It may be stated in the decision on the issue of options that the owner of an option is given a special certificate, indicating the terms of the issue of supplementary shares and noting that the certificate is to be returned to the co-operative in exchange of the supplementary share (*option certificate*). In other respects, the provisions in chapter 9, sections 13 and 14(1), on a share certificate apply, in so far as appropriate, to an option certificate.
- (3) An option certificate or a negotiable convertible bond shall not be issued before the stipulations in the rules on the respective supplementary shares have been registered and the co-operative has received full payment for the option or the convertible bond.

Chapter 12 — **Investment shares**

General provisions

Section 1 — *Investment shares and investment share capital*

- (1) It may be stipulated in the rules that the co-operative may also issue investment shares.
- (2) The provisions in chapter 11 on the supplementary share capital and supplementary shares apply to the investment share capital and investment shares, unless otherwise provided in this chapter. The same applies to options and convertible bonds conferring a right to investment shares.

Section 2 — *Investment share price and investment share capital*

- (1) An investment share price, stipulated in the rules, shall be paid to the co-operative for an investment share.
- (2) The registered investment share capital shall be the investment share capital of the co-operative.

Registration of the investment share capital and investment share certificates

Section 3 — Lapse of the decision of the co-operative

- (1) If the eventual minimum number of investment shares set in the decision to issue investment shares has not been taken within the period set in the decision, the decision shall lapse. A decision on a rule amendment dependent on the issue of investment shares shall likewise lapse. In this event, the paid-up amount of the investment share prices shall be refunded at once.
- (2) Before the board of directors notifies the investment shares for registration, it shall cancel the investment shares that have not been fully paid up.

Section 4 — Registration of investment share capital

- (1) The total of the paid-up investment share prices for the outstanding investment shares, less the amount corresponding to cancelled investment shares, shall be registered as the investment share capital of the co-operative.
- (2) A raise of the investment share capital may be notified for registration even if the investment share capital based on an earlier decision has not yet been registered.
- (3) The amount paid up for the investment shares and to be registered as the investment share capital shall be in the ownership and possession of the co-operative before the investment share capital is notified for registration. The amount payable in money shall be credited to the co-operative's account in a Finnish bank or in a branch of a foreign credit institution licensed to operate as a deposit bank in Finland.
- (4) The investment share capital, or the minimum thereof, as referred to in the decision to issue investment shares, shall be notified for registration without delay after the prerequisites for the issue of shares have been met and in any event no later than one year after the decision. The remainder shall be notified for registration in one or several instalments. The notification shall be made without delay, taking into account the rights of the owners of investment shares and the costs to the co-operative of the notification, and in any event no later than one year after the registration of the investment share capital corresponding to the minimum. If the registration authority has been duly notified, within the set period, that the payment of a receivable based on the issue of an investment share has been judicially claimed from the person who has taken the investment share, the raise may be notified for registration within five years after the registration of the investment share capital corresponding to the minimum.

Section 5 — Register notification

- (1) The Trade Register Act (129/1979; *kaupparekisterilaki*) contains provisions on the register notifications pertaining to investment share capital and the raises thereof. The register notification shall include:
 - (1) a statement from the directors and the chief executive officer of the co-operative to the effect that the issue of the investment shares has proceeded in accordance with the provisions in this Act and that the paid-up amount of

the investment share capital or the raise to be registered is in the ownership and possession of the co-operative; and

- (2) a certificate from the auditors to the effect that the provisions in this act on the payment of the share capital have been complied with.
- (2) If an investment share has been issued in exchange for an in-kind payment or otherwise at special terms, the information and documents referred to in chapter 6, section 6, shall also be included with the notification.

Section 6 — *Legal effects of registration and a defective notification*

- (1) The investment share capital shall have been paid up or raised once the corresponding instalment of the investment share capital has been registered. After registration, the owner of an investment share cannot allege that the issue of the investment share is void as being contrary to the provisions in this Act.
- (2) If the investment share capital is not notified for registration within the period referred to in section 4(4) or if the registration is not granted, the provisions in section 3(1) apply to the investment shares in so far as appropriate for each instalment of the investment share capital.
- (3) The investment shares shall confer a right to the surplus and another right in the co-operative as from the registration of the corresponding instalment of the investment share capital, unless a later time is stated in the decision to issue investment shares. In any event, these rights shall commence as from one year after the registration.

Section 7 — *Issue of an investment share certificate*

No investment share certificate shall be issued until the registration of the instalment of the investment share capital corresponding to the investment share in question.

Section 8 — *Bonus issue and mixed issue*

- (1) The general meeting of the co-operative may decide that a bonus issue referred to in chapter 9, section 20(5), be effected by the issue of new investment shares to the members and to the owners of such supplementary shares and investment shares which confer the right to a bonus issue. In a bonus issue of this kind, an amount corresponding to the total nominal value of the investment shares to be issued shall be transferred to the investment share capital from the surplus, the premium fund, the reserve fund, a corresponding item of capital referred to in chapter 6, section 2(3), and the revaluation fund.
- (2) The general meeting of the co-operative may decide that a mixed issue referred to in chapter 9, section 21(3), be effected by the issue of new investment shares to the members. The capital of the co-operative, as referred to in paragraph (1), may be used in the bonus issue that forms a part of the mixed issue.

Options and convertible bonds

Section 9 — Payment

The board of directors shall cancel such options and convertible bonds that have not been fully paid up before the options or convertible bonds are notified for registration.

Section 10 — Registration

- (1) The co-operative shall, without delay and in any event no later than two years after the decision to issue options or convertible bonds, notify for registration the amount by which the investment share capital can be raised, sorted by investment share series, and the period during which the option or convertible bond can be exercised. In other respects, the provisions in sections 4(1)—(3), 5(1), 6(1) and 6(2) apply, in so far as appropriate, to the registration.
- (2) After the period for the exercise of the options or convertible bonds has ended, the number of investment shares taken on the basis of the options or convertible bonds shall without delay be notified for registration. An unregistered option or convertible bond shall not confer a right to an investment share in a raise of the investment share capital.
- (3) If the period for the exercise of the options or convertible bonds is longer than one year, the notification shall also be made without delay after the end of a financial year during which investment shares have been issued. In other respects, the provisions in sections 4(1)—(3), 5(1), 6(1) and 6(2) apply, in so far as appropriate, to the registration.
- (4) The investment share shall confer a right to the surplus and to other assets, regardless of registration, no later than one year after the conversion or the time when the investment share has been fully paid for.

Decrease of the investment share prices and reduction of investment shares

Section 11 — Right of the owner of an investment share

- (1) The provisions in chapter 11, sections 3 and 9, on the right of the owner of a supplementary share to demand a refund of the supplementary share price do not apply to the owner of an investment share.
- (2) Stipulations may be taken into the rules on the right of the owner of an investment share to a refund of the investment share price only as provided in section 13.

Section 12 — Decision of the co-operative on a decrease or reduction

- (1) If the investment share price is decreased or the number of investment shares reduced so as to cover a loss, the investment share capital shall have been decreased once the decision on the decrease or reduction has been registered. In this event, the co-operative shall not distribute any surplus until the lapse of one year from the end of the financial year during which the decision was registered. Notwithstanding this provision, the surplus may be distributed or otherwise used,

if the investment share capital, reserve fund and premium fund have been increased by a total amount at least equal to the amount of the decrease.

- (2) In cases other than those referred to in paragraph (1), the implementation of a decision of the general meeting of the co-operative on a decrease or reduction shall require the permission of the registration authority, if that implementation will result in a decrease in the total of the items of capital referred to in chapter 6, section 2(1)(1)—2(1)(6), and the corresponding items referred to in paragraph (3) of the same section. However, no permission shall be required if the reserve fund, premium fund or investment share capital are simultaneously increased by an amount corresponding to the decrease. If no permission is required, the investment share capital shall have been decreased once the decision has been made and registered and the balance sheet indicating the amount to be refunded or transferred to another fund has been approved.
- (3) The permission for the implementation of the decision of the co-operative shall be applied for within one month of the decision on the decrease or reduction; failing this, the decision shall lapse. The decision and its appendices shall be attached to the application. In other respects, the provisions in chapter 16, section 12—14, apply to the permission. If the permission is not applied for in time or if it is not granted, also a rule amendment whose prerequisite it is that the investment share price is decreased or the investment shares reduced shall lapse. The decision of the registration authority shall be entered into the register as a matter of course. The investment share capital shall have been decreased once the decision has been registered and the balance sheet indicating the amount to be refunded or transferred to another fund has been approved.

Section 13 — *Redeemable investment shares*

- (1) It may be stipulated in the rules that the number of investment shares can be reduced in order to refund investment share prices without a rule amendment (*redeemable investment shares*). In this event, stipulations shall be taken into the rules on the following in addition to what has been provided in chapter 10, section 13:
 - (1) whether the co-operative has the right or is under the obligation to refund the investment share prices; and
 - (2) what assets are to be used for the refund.
- (2) The implementation of a decision on a refund shall require the permission of the registration authority in the cases referred to in section 12(2). The provisions in sections 12(2) and 12(3) apply to the application for the permission, the consideration thereof and the registration of the reduction of the number of investment shares.

Section 14 — *Restriction of the acquisition of investment shares*

- (1) The co-operative may acquire its own investment shares or those of the parent co-operative for consideration, or accept the same as collateral, only in the event that it takes over a business by way of a merger or otherwise or by acquiring in an

auction a fully paid-up investment share that has been distrained for the enforcement of a receivable of the co-operative. In addition, the co-operative has the right to refund the investment share price when the co-operative merges with another co-operative, divides, or is reincorporated as a limited-liability company.

- (2) The co-operative shall divest its own investment shares and those of the parent co-operative within three years of the acquisition.
- (3) If the investment shares have not been divested in time, the investment share capital shall at once be decreased by an amount corresponding to the paid-up amount of the investment share prices corresponding to the investment shares in question by way of cancelling the investment shares; otherwise the general meeting of the co-operative shall decide that the co-operative be surrendered into liquidation.

Chapter 13 — **Capital loan**

Section 1 — *Minimum requirements*

- (1) The co-operative may take out a loan (*capital loan*), as follows:
 - (1) the capital, interest or other benefit of the loan shall be subordinated to all other debts of the co-operative in the dissolution or bankruptcy of the co-operative;
 - (2) the capital may otherwise be repaid only if the co-operative has repayable capital on its balance sheet from the previous financial year;
 - (3) interest or other benefits may be paid only if the amount to be paid is available as distributable surplus on the balance sheet from the previous financial year; and
 - (4) the capital of the loan shall be entered into the balance sheet as a separate item of capital.
- (2) The co-operative or another organisation in the same corporate group shall not provide security for the repayment of the capital of a capital loan nor for the payment of interest or other benefits.
- (3) The interest or other benefit to be paid for a capital loan on the basis of the balance sheet from the previous financial year shall be subtracted from the surplus that can be distributed or otherwise used on the basis of the same balance sheet. The distributable surplus shall be decreased also for such interest or other benefit that is to be paid but has not been entered as an expense on the income statement from either of the previous two financial years.

Section 2 — *Repayment of the capital*

- (1) The capital available for the repayment of a capital loan shall be calculated on the basis of the balance sheet of the co-operative approved for the previous financial year so that:

- (1) the surplus shown on the balance sheet and the voluntary provisions and depreciation differences, less any deferred tax liabilities, are added to the total amount of the capital loans; and
 - (2) the loss shown on the balance sheet and not subtracted from the surplus, and the other non-distributable items referred to in chapter 8, sections 3(2) and 4, are subtracted from the total amount of the capital loans.
- (2) In a parent co-operative, the capital available for the repayment of a subordinate shall be the lesser of the sums calculated on the basis of its own balance sheet and the consolidated balance sheet. The amount available for repayment based on the consolidated balance sheet shall be calculated, in so far as appropriate, in accordance with the provisions in paragraph (1). In the calculations based on the consolidated balance sheet, the capital available for repayment shall not include the surplus or profit of a subsidiary subject to a restriction of the distribution of surplus or profit comparable to that provided in chapter 8, section 10(2).
 - (3) A capital loan shall not be taken into account in the calculation of the capital available for the refund of share prices, supplementary share prices and investment share prices, unless otherwise stated in the terms of the loan.

Section 3 — *Interest and other benefits*

- (1) The distributable surplus available for the payment of interest and other benefits shall be calculated on the basis of the balance sheet of the co-operative approved for the previous financial year.
- (2) In a parent co-operative, the distributable surplus shall be the lesser of the sums calculated on the basis of its own balance sheet and the consolidated balance sheet.
- (3) The items comparable to surplus, as referred to in chapter 6, section 2(3), shall be added to the surplus available for the payment of benefits.
- (4) The payment of interest on a capital loan shall take priority over the distribution of surplus to the members and the owners of supplementary shares and investment shares, unless otherwise stated in the terms of the loan.

Section 4 — *Capital loan agreement and the amendment thereof*

- (1) A capital loan agreement shall be concluded in writing.
- (2) Capital loans shall have an equal right to the assets of the co-operative, unless otherwise agreed between the co-operative and the creditors of the capital loans.
- (3) An amendment to the terms of the agreement shall be void if it is contrary to the provisions in section 1(1). Security provided contrary to the provisions in section 1(2) shall likewise be void.

Section 5 — *Unlawful repayment, benefit or security relating to a capital loan*

The provisions in chapter 8, section 8, apply in so far as appropriate to the repayment of the capital of a capital loan and the payment of interest or other benefits, the provision of security and the distribution of surplus, where these are contrary to the provisions in section 1.

Section 6 — *Change of corporate form*

The provisions in this chapter do not apply in permit proceedings relating to the implementation of a decision on a merger, division or reincorporation as a limited-liability company. However, the amount of a capital loan due to a creditor shall not be paid until the merger, division or reincorporation has been registered.

Chapter 14 — **Extraordinary payments**

Section 1 — *General provisions*

- (1) It may be stipulated in the rules that the general meeting of the co-operative can decide on the collection of extraordinary payments for a need stated in the rules and arising while the co-operative is in operation. In this event, stipulations shall be taken into the rules also on the basis of the payment liability and on the maximum amount of extraordinary payments that can be collected from a member during one financial year. An extraordinary payment shall not be refunded, unless otherwise stipulated in the rules.
- (2) The extraordinary payment shall be made in one or several instalments within the reasonable period set by the general meeting of the co-operative.
- (3) If the co-operative is surrendered into liquidation or bankruptcy, the liquidators or the estate may collect extraordinary payments only in so far as these have been due before the surrender into liquidation or bankruptcy.

Section 2 — *New member*

- (1) A new member shall be liable for an extraordinary payment, if the payment period has not ended before he or she becomes a member.
- (2) Before an applicant is admitted to the co-operative, the board of directors shall see to it that the applicant is informed of a payment referred to in paragraph (1).

Section 3 — *End of membership*

- (1) Notwithstanding the end of membership, a former member shall be liable to make an extraordinary payment which is collected for the current or an earlier financial year, where the decision to collect the extraordinary payment has been made before the end of the membership.
- (2) If the right to a share has been transferred to a third party, who has then been admitted to membership within the period referred to in chapter 9, section 10, of the application, and who is liable to make an extraordinary payment in accordance with section 2 of this chapter, the former member or the deceased former member's estate and the new member are jointly and severally liable for an extraordinary payment of this kind.

Chapter 15 — **Liability for refinancing**

General provisions

Section 1 — *Liability for refinancing*

- (1) It may be stipulated in the rules that the members are liable for the debts of the co-operative in the event that the own assets of a co-operative in liquidation or bankruptcy are not sufficient for the repayment of the debts (*liability for refinancing*).
- (2) In this event, stipulations shall be taken into the rules on the basis of the liability for refinancing, whether the liability is unlimited or limited, and the amount of a limited liability.
- (3) The stipulations in the rules on liability for refinancing shall be such that all members are liable on the same basis and equally or, if the liability for refinancing is determined in accordance with the number of shares or some other basis, equally in respect of the arithmetic basis thus determined.

Section 2 — *New member*

- (1) A new member shall be liable for refinancing also in respect of debts that the co-operative had at the time of accession.
- (2) Before an applicant is admitted to the co-operative, the board of directors shall see to it that the applicant is informed of the liability for refinancing stipulated in the rules.

Section 3 — *End of membership*

- (1) Notwithstanding the end of membership, the former member shall be liable for refinancing if the co-operative is surrendered into liquidation or bankruptcy within a year from the end of the financial year during which the membership ended.
- (2) The liability for refinancing shall not pertain to debts whose basis arises after the end of membership. If the successors of a deceased member have exercised the rights of the decedent in the co-operative, as referred to in chapter 3, section 8, the liability for refinancing shall pertain also to debts whose basis has arisen during the time the rights were being exercised. The liability of the successors pertaining to such debts shall be limited to the assets of the decedent's estate.
- (3) The provisions in this chapter on a member liable for refinancing apply to a former member liable for refinancing and to the successors thereof.

Section 4 — *Set-off*

A payment to be made on the basis of the liability for refinancing shall not be set off against receivables that the member may have from the co-operative.

Section 5 — *Retention of admission applications*

If the members are liable for refinancing, the board of directors of the co-operative shall retain the admission applications that have been granted, until the end of the membership of the respective members. The board of directors shall retain the resignation notices for a period of three years.

Section 6 — *Resignation notice from a member liable for refinancing*

If the members are liable for refinancing, a resignation notice shall be given in duplicate, one copy to be returned to the member. The time of receipt of the notice by the board of directors or the person designated by the board of directors to receive notices shall be entered on the copy to be returned.

Section 7 — *Alteration of the liability for refinancing*

If the rules are amended so as to decrease or abolish the liability for refinancing, to may at the same time be stipulated that the liability for refinancing remain in effect pertaining to debts whose basis has arisen before the amendment enters into force.

Section 8 — *Decision to collect refinancing in liquidation*

- (1) If the members are liable for refinancing and it becomes evident during the liquidation of the co-operative that its debts exceed its assets, and that the debts can be covered by way of refinancing, the liquidators shall at once convene the general meeting of the co-operative to decide to collect the refinancing.
- (2) In the general meeting, the liquidators shall present a written report on the financial standing of the co-operative, a list of the assets and debts and a calculation of the refinancing payments based on the values taken into the list. The assets shall be shown on the list also at their probable divestment prices, less the specific costs of divestment.
- (3) If the general meeting of the co-operative in liquidation does not decide to collect refinancing, the liquidators shall at once surrender the property of the co-operative into bankruptcy. The property of the co-operative shall be surrendered into bankruptcy also in the event that the full amount of the refinancing has not been paid in to the co-operative within 60 days of the general meeting that decided to collect the refinancing.
- (4) If the co-operative goes bankrupt after the general meeting has decided to collect refinancing, the implementation of the decision shall not be continued.

Section 9 — *Decision to collect refinancing in bankruptcy*

- (1) If the assets of a bankrupt co-operative whose members are liable for refinancing are not sufficient for the repayment of its debts after the collection of certain receivables and the liquidation of other undisputed assets, the bankruptcy administration shall prepare a calculation on the refinancing to be collected in order to cover the shortfall.
- (2) The refinancing calculation shall be presented in a creditors' meeting which has been adequately advertised. The members of the co-operative shall be summoned to the creditors' meeting in the same manner as the convocation of the general meeting of the co-operative is delivered.

Section 10 — *Differentiated liabilities for refinancing*

If the liability for refinancing is differentiated as pertaining to different obligations, and the paid-in refinancing is not sufficient for covering all the obligations, the

paid-in amounts shall be divided among the obligation groups in accordance with the principles stipulated in the rules for the collection of refinancing.

Section 11 — *Unlimited liability for refinancing*

If the liability for refinancing is unlimited, the calculation prepared in accordance with this chapter shall impose on a member the liability that falls on him or her *per capita* among the members whom the calculation concerns. Another basis for calculation may be stipulated in the rules.

Section 12 — *Supplementary refinancing*

In the refinancing calculation referred to in sections 8 and 9, it may be ruled that a member be liable for his or her own payment and also for at most 25 per cent of an eventual shortfall, up to the total of the liability for refinancing.

Section 13 — *Contesting the refinancing calculation*

- (1) A member may contest the decision of the general meeting of the co-operative on a refinancing calculation referred to in section 8 by way of bringing an action against the co-operative. The action shall be brought within 30 days of the presentation of the calculation to the general meeting of the co-operative.
- (2) A member or a creditor may contest the refinancing calculation referred to in section 9 by way of bringing an action against the bankruptcy administration. The action shall be brought within 30 days of the presentation of the calculation to the creditors' meeting.

Enforcement of the liability for refinancing

Section 14 — *Collection of refinancing*

Once the refinancing calculation has been presented as provided in sections 8 and 9, the liquidators or the bankruptcy administration shall make demands to the members for the paying-in of the refinancing within 30 days of receipt of the demand that has been delivered in the same manner as the convocation of the general meeting of the co-operative. On the request of the liquidators or the bankruptcy administration, the enforcement officials shall collect the unpaid refinancing on the basis of the calculation in accordance with the provisions on the enforcement of a judgment that has become *res judicata*. The collection may be carried out even if the calculation has been contested, but the collected amount shall in this event not be withdrawn unless a lien or guarantee for its repayment has been provided.

Section 15 — *Joint liability*

If the enforcement officials certify that a member is without immediate means for purposes of the collection of the refinancing due from that member, the liquidators or the bankruptcy administration shall collect the shortfall from the other members within the limits of the total liability for refinancing and in accordance with the provisions in section 14.

Section 16 — *Right of a member to a refund*

If the general meeting of the co-operative has decided on the collection of refinancing as provided in section 8 and a member has paid in to the co-operative more than his or her share of the refinancing under the calculation, the co-operative shall refund the excess payment from the assets that can be collected from the other members in accordance with the calculation. If the co-operative has gone bankrupt before the excess payment has been refunded, the amount shall be taken into account in the calculation to be prepared in the bankruptcy and refunded from the assets collected on the basis of this calculation. However, any repayment may be made only if possible without prejudicing the rights of the creditors.

Chapter 16 — **Merger**

Definition and prerequisites of a merger

Section 1 — *Types of merger*

- (1) A co-operative (*the merging co-operative*) may merge into another co-operative (*the acquiring co-operative*) so that the assets and liabilities of the merging co-operative are transferred to the acquiring co-operative without liquidation proceedings and the members of the merging co-operative become members of the acquiring co-operative by receiving as consideration shares in the acquiring co-operative. The consideration may also take the form of money, other assets and commitments. If a member is offered other assets than shares of the acquiring co-operative as consideration for his or her shares, he or she is entitled to a monetary compensation instead of such consideration, unless otherwise stipulated in the rules.
- (2) The merger of co-operatives may take place so that:
 - (1) the acquiring co-operative and one or several merging co-operatives merge (*absorption merger*); or
 - (2) at least two merging co-operatives merge by forming together an acquiring co-operative (*combination merger*).

Section 2 — *Subsidiary merger*

- (1) If a co-operative holds all the shares of a limited-liability company, their boards of directors may agree on the merger of the limited-liability company into the co-operative. The same applies to the merger of a subsidiary co-operative into the parent co-operative, if the subsidiary co-operative has no other members.
- (2) The provisions in chapter 14 of the Limited-Liability Companies Act (734/1978; *osakeyhtiölaki*) on subsidiary mergers apply, in so far as appropriate, to the merger of a subsidiary limited-liability company into a co-operative. However, the merger shall not be subject to the provisions in sections 8—11 of the said chapter, the provisions on the redemption of the stock of the company being acquired in section

12 of the said chapter, nor the provisions in the second sentence of section 14(1) or section 18 of the said chapter.

Section 3 — *Liquidation of the merging co-operative*

A merger may be carried out even if the merging co-operative is in liquidation, provided that the distribution of the assets of the co-operative to the members has not yet begun.

Draft terms of merger

Section 4 — *Draft terms of merger*

- (1) The boards of directors of the co-operatives involved in the merger shall prepare written draft terms of merger, which shall be dated and signed.
- (2) The draft terms of merger shall indicate:
 - (1) the trade names, registration numbers, addresses and municipalities of seat of the co-operatives involved in the merger;
 - (2) in the case of an absorption merger, a proposal for the amendment of the rules of the acquiring co-operative, and in the case of a combination merger, a proposal for the rules of the co-operative to be formed, as well as for the manner in which the directors, the supervisors and the auditors are to be chosen;
 - (3) a proposal for the consideration due to the members of the merging co-operative;
 - (4) an account of the capital loans whose creditors are entitled to object to the granting of the permission referred to in section 12;
 - (5) the numbers of shares, supplementary shares and investment shares of the acquiring co-operative owned by the merging co-operative and its subsidiaries, their aggregate share of the capital and their acquisition price as shown on the balance sheet, itemised by share class;
 - (6) in the case of an absorption merger, a proposal for the issue of new shares, supplementary shares and investment shares needed for the payment of the consideration;
 - (7) a proposal for the time and other terms of the distribution of the consideration;
 - (8) an account of the special benefits and rights to be granted to a director, a supervisor, the chief executive officer or an auditor of a co-operative involved in the merger;
 - (9) an account of the reasons for the merger and the bases for the determination of the consideration, such as an account of the assets to be transferred to the acquiring co-operative, the book value of the assets, the methods of valuation applied to the assets and the results obtained by those methods;
 - (10) a proposal on the planned date of registration of the implementation of the merger.

- (3) The account referred to in paragraph (2)(9) need not be included in the draft terms of merger, if all the members of the co-operatives involved in the merger consent to the account not being prepared.

Section 5 — *Opinions of the auditors*

- (1) The auditors of a co-operative involved in a merger shall issue an opinion on the draft terms of merger to the co-operative. The opinion shall contain an assessment as to whether the draft terms of merger provide a true and fair view of matters that by their nature have an essential effect on the evaluation of the reason for the merger, the assets to be transferred to the acquiring co-operative and the value and distribution of the consideration. The opinion to be issued to the acquiring co-operative shall contain a specific statement as to whether the merger may by its nature prejudice the repayment of the debts of the co-operative.
- (2) On the consent of all the members of the co-operatives involved in the mergers, it shall be sufficient that the opinion contains merely a statement as to whether the merger may by its nature prejudice the repayment of the debts of the acquiring co-operative.
- (3) The opinion shall be dated and signed. The opinion shall be issued immediately before the general meeting of the co-operative that is to decide on the merger.

Section 6 — *Appendices to the draft terms of merger*

- (1) The draft terms of merger shall have the following appendices for each co-operative involved in the merger:
 - (1) copies of the documentation pertaining to the latest three annual accounts and of the decision of the general meeting of the co-operative on the surplus or loss for the previous financial year;
 - (2) the account of the board of directors, the interim accounts and the opinions of the supervisory board and the auditors on the same, as referred to in chapter 4, section 15;
 - (3) the opinions on the draft terms of merger, as referred to in section 5.

Approval of the draft terms of merger

Section 7 — *Organ of the co-operative deciding on the merger*

- (1) In the merging co-operative, the decision on the merger shall be made by the general meeting of the co-operative, as provided in chapter 4. However, the board of directors of the merging co-operative may decide on a subsidiary merger.
- (2) In the acquiring co-operative, the decision on the merger shall be made by the board of directors. However, the decision on a merger other than a subsidiary merger shall be made by the general meeting of the co-operative, if so requested by members with at least five per cent, or the smaller percentage stipulated in the rules, of the total votes in the co-operative.

Section 8 — *Notice of convocation and notification to members*

- (1) In the acquiring co-operative, the general meeting of the co-operative shall be convened or the members notified of the draft terms of merger in accordance with

the procedure for the delivery of notices of convocation. Within one month of receipt of the notification, a member may request in writing that the decision on the merger be made by the general meeting of the co-operative. The contents of the notification by the co-operative and the documents to be kept available to the members shall be governed by the provisions in chapter 4 on the notice of convocation and the availability of documents regarding the decision on the merger. In the merging co-operative, the time limit for the delivery of the notice of convocation shall be governed by the provisions in chapter 4, section 11, if the decision on the merger is at the request of a member to be made by the general meeting of the co-operative and if there is at least one month between the notification by the co-operative and the general meeting of the co-operative.

Section 9 — *Decision of the general meeting of the co-operative*

If the draft terms of merger are not approved unaltered in all the co-operatives involved in the merger, the merger shall lapse. However, the general meeting of the merging co-operative may alter the draft term concerning the distribution of the consideration among the members and the owners of supplementary shares and investment shares. The alteration shall without delay be notified to the boards of directors of the other co-operatives involved in the merger and to the members of the merging co-operative in accordance with the procedure for the delivery of notices of convocation.

Section 10 — *Decision on a combination merger*

- (1) In the case of a combination merger, the draft terms of merger shall serve as the incorporation instrument of the co-operative to be formed.
- (2) The general meeting of the co-operative deciding on the merger shall choose the directors, the supervisors and the auditors of the acquiring co-operative, unless otherwise stated in the draft terms of merger.

Section 11 — *End of the membership of members objecting to the merger*

- (1) A member of the merging co-operative who has not supported the decision on the merger is entitled to resign from the co-operative and to receive a share price refund, as provided in chapter 4, section 25.
- (2) If the membership ends later than 30 days after the decision on the merger, the refund of the paid-up amount of the share price shall be subject to the provisions in chapter 10, sections 1–6, and the stipulations in the rules on the members of the acquiring co-operative. The same applies to a refund in the event that the member has supported the decision on the merger.

Permission to implement the merger

Section 12 — *Permission to implement*

- (1) The implementation of a merger shall be conditional on the permission of the registration authority. The co-operatives shall apply for the permission within four months of the approval of the draft terms of merger. In a subsidiary merger, the

permission shall be applied for by the parent co-operative. If the application is not filed on time or if the permission is not granted, the merger shall lapse.

- (2) The application shall have the following appendices:
 - (1) the approved draft terms of merger, with appendices;
 - (2) the decisions on the merger;
 - (3) an account of the maximum aggregate share price refunds of the merging co-operative, as referred to in section 11(1);
 - (4) an account of the maximum aggregate sum of the share prices of the merging co-operative that are to be refunded before the merger is registered, as referred to in chapter 10, sections 1—5.
- (3) The registration authority shall grant the permission for the merger, if the creditors of the co-operative do not object to the merger as referred to in section 13, if they have withdrawn their objections or if they have received payment or full security for their receivables in accordance with a judgment that is *res judicata*.

Section 13 — *Public notice to creditors*

- (1) The registration authority shall issue a public notice to the creditors of the merging co-operative. A public notice shall be issued also to the creditors of the acquiring co-operative, if the merger, according to the report referred to in section 5, may by its nature prejudice the repayment of the debts of the co-operative. The public notice shall indicate that a creditor is entitled to object to the application by notifying the registration authority of the same in writing before the deadline set in the public notice.
- (2) No earlier than four months and no later than one month before the deadline, the registration authority shall register the public notice, notify the co-operative of the same and publish the public notice in the *Official Gazette*.
- (3) No later than three weeks before the deadline, the co-operative shall send a written notification of the public notice to its known creditors. The certification of the board of directors or the chief executive officer of the co-operative to the effect that the notifications have been sent shall be delivered to the registration authority no later than on the day of the deadline.
- (4) If a creditor objects to the application, the registration authority shall notify the co-operative of the same without delay after the deadline.
- (5) The registration authority shall deal with the application without delay and no later than one month after the deadline.

Section 14 — *Objection by a creditor and consideration of the application*

- (1) The registration authority shall suspend the consideration of the application, if a creditor and the co-operative jointly so request no later than on the day of the deadline or if the co-operative shows that it has brought an action so as to have it confirmed that the creditor has received payment or full security for the receivable.
- (2) The court shall consider a matter referred to in paragraph (1) without delay.

Section 15 — *Public notice and restructuring proceedings*

- (1) The restructuring proceedings referred to in the Act on the Restructuring of Companies (47/1993; *laki yrityksen saneerauksesta*) shall serve as the public notice referred to in section 13; a creditor is not entitled to object to the merger in accordance with this Act, if all the co-operatives involved in the merger belong to the same corporate group and if their restructuring schedules are approved at the same time.
- (2) The draft terms of merger and the other documents referred to in section 12(2) shall be appended to the draft restructuring schedule.

Implementation and legal effects of merger

Section 16 — *Registration of the merger*

- (1) The co-operatives shall notify the registration authority of the implementation of the merger within four months of the grant of the relevant permission; failing this, the merger shall lapse.
- (2) In a combination merger, the notification of the implementation of the merger shall serve as the register notification referred to in chapter 2. In other respects, the registration of the acquiring co-operative shall proceed in accordance with the provisions in chapter 2.
- (3) If the assets of more than one co-operative involved in the merger are subject to a floating charge, as referred to in the Act on Floating Charges (634/1984; *yrityskiinnityslaki*), the merger shall not be registered unless, on application, an agreement among the co-operatives and the charge holders on the order of precedence of the charges is registered at the same time.
- (4) The planned date of registration of the implementation of the merger shall be taken into account in the registration, unless there is an obstacle to the same or unless the date is later than four months of the notification.

Section 17 — *Legal effects of registration*

- (1) The assets and liabilities of the merging co-operative, with the exception of claims based on chapter 20, section 1 or 2, of section 44 of the Auditing Act, shall devolve on the acquiring company without liquidation proceedings, once the implementation of the merger has been registered. At the same time, the merging co-operative shall dissolve.
- (2) Upon the dissolution of the merging co-operative, its members become entitled to the consideration and they become members of the acquiring co-operative in accordance with the draft terms of merger. However, the shares, supplementary shares or investment shares of the merging co-operative, owned by the acquiring co-operative or the merging co-operative, shall not confer any right to consideration.
- (3) The board of directors and the chief executive officer of the merging co-operative shall present final accounts in a meeting of the members of the merging co-operative. The final accounts shall comprise the annual accounts and the consolidated accounts for the period for which no such statements have yet been

presented to the general meeting of the co-operative, and an account on the distribution of the consideration. The auditing of the final accounts shall be governed by the provisions on auditing. The meeting of the members shall be governed by the provisions on the general meeting of the co-operative. The contesting of the distribution of the consideration and of the final accounts, the withdrawal of the share in the consideration and the continuation of liquidation after the merging co-operative has dissolved shall be governed by the provisions in chapter 19, section 19 and 21, and if the matter concerns an action referred to in chapter 20, section 5, by the provisions in chapter 19, section 20. The final accounts shall be notified for registration in accordance with the provisions in chapter 6, section 9.

Section 18 — *Contesting the decision on the merger*

- (1) In derogation from the provisions in chapter 4, section 26(2) and (3), an action against the decision on a merger shall be brought within six months of the decision by the general meeting of the co-operative. The court shall without delay notify the registration authority of pending proceedings and of the judgment, once *res judicata*.
- (2) Even if the merger has been registered, it shall be reversed if the decision on the merger is invalid according to a judgment that is *res judicata*. In this event, the merging co-operative and the acquiring co-operative shall be jointly liable for the obligations of the acquiring co-operative which have arisen after the registration of the merger but before the registration authority has issued a public notice of the judgment of the court.

Chapter 17 — **Division**

Section 1 — *Types of division and the liquidation of a dividing co-operative*

- (1) A co-operative (*dividing co-operative*) may divide so that the assets and liabilities of the dividing co-operative devolve, in full or in part, without liquidation proceedings to one or more co-operatives to be incorporated (*receiving co-operative*), the members of the dividing co-operative become members of each receiving co-operative and the members of the dividing co-operative receive shares in each receiving co-operative. The consideration may also be money, other assets or commitments. If a member is offered assets other than shares in the receiving co-operative as consideration, the member is entitled to a monetary compensation instead of such consideration, unless otherwise stipulated in the rules.
- (2) The division may take place so that:
 - (1) all assets and liabilities of the dividing co-operative devolve on one or several receiving co-operatives and the dividing co-operative dissolves; or
 - (2) a part of the assets and liabilities of the dividing co-operative devolve on one or several receiving co-operatives.

- (3) The division may be carried out even if the dividing co-operative is in liquidation, provided that the distribution of the assets of the co-operative to the members has not yet begun.

Section 2 — *Draft terms of division, their registration and appendices*

- (1) The board of directors of a dividing co-operative shall prepare draft terms of division; the provisions in chapter 16, sections 4—6, on a combination merger apply, in so far as appropriate, to the draft terms of division.
- (2) In addition, the draft terms of division shall indicate:
 - (1) a proposal for the distribution of the assets and liabilities of the dividing co-operative among each co-operative involved in the division;
 - (2) an account on the circumstances that may be relevant in the evaluation of the assets devolving on a receiving co-operative and those remaining in the dividing co-operative;
 - (3) a proposal on how the transfer of the assets into the capital of the receiving co-operative affects the capital of the dividing co-operative.

Section 3 — *Decision of the general meeting of the co-operative*

- (1) The general meeting of the dividing co-operative shall make the decision on the division, as provided in chapter 4.
- (2) In other respects, the provisions in chapter 16, sections 8—10 and 18 apply, in so far as appropriate, to the decision on the division. The provisions in chapter 16, section 11, apply to the end of the membership of a member of the dividing co-operative and to a share price refund.

Section 4 — *Permission to implement the division and implementation of the division*

- (1) The dividing co-operative shall apply for the permission of the registration authority to the implementation of the division; the permission shall be governed by the provisions in chapter 16, sections 12—14. The dividing co-operative shall notify the registration authority of the implementation of the division. The provisions in chapter 16, section 16(1) and (2), on a combination merger apply to the notification.
- (2) If the assets of the dividing co-operative are subject to a floating charge, as referred to in the Act on Floating Charges, the division shall not be registered unless an agreement among the co-operatives and the charge holders on the distribution of the charge among the dividing and receiving co-operatives and on the order of precedence of the charges is registered at the same time.

Section 5 — *Legal effects of the division*

- (1) The assets and liabilities of the dividing co-operative shall devolve on the receiving co-operative in accordance with the draft terms of division, once the implementation of the division has been registered. At the same time, in a division referred to in section 1(2)(1), the dividing co-operative shall dissolve.
- (2) Upon the registration of the division, the members of the dividing co-operative become entitled to the consideration and they become members of the receiving

co-operative. However, the investment shares of the dividing co-operative, owned by the dividing co-operative, shall not confer any right to consideration.

- (3) If the dividing co-operative dissolves, its board of directors and chief executive officer shall present a final account; the provision in chapter 16, section 17(3) apply to the same.

Section 6 — *Assets and liabilities not covered by the draft terms of division*

- (1) If, in a division referred to in section 1(2)(1), assets not covered by the draft terms of division are discovered, they shall belong to the members of the dividing co-operative and to the receiving co-operatives in proportion to the distribution of the net assets of the dividing co-operative according to the draft terms of division.
- (2) The dividing co-operative and the receiving co-operatives shall be jointly liable for the debts of the dividing co-operative arising before the registration of the implementation of the division.
- (3) However, for debts of the dividing co-operative that are the liability of another co-operative under the draft terms of division, the maximum liability of the co-operative shall be the value of the net assets transferred to it or retained by it. For debts covered by the draft terms of division, the creditor is entitled to present claims on the basis of joint liability only when it has been found that the creditor will not receive payment from the debtor or from security.

Chapter 18 — **Reincorporation of a co-operative as a limited-liability company**

Section 1 — *Reincorporation and the liquidation of the co-operative*

- (1) A co-operative may be reincorporated as a limited-liability company without liquidation proceedings so that the members of the co-operative receive as consideration the entire stock of the limited-liability company.
- (2) If a member is offered assets other than stock in the limited-liability company as consideration, the member is entitled to a monetary compensation instead of such consideration, unless otherwise stipulated in the rules.
- (3) The reincorporation may be carried out even if the co-operative is in liquidation, provided that the distribution of the assets of the co-operative to the members has not yet begun.

Section 2 — *Draft terms of reincorporation*

- (1) The board of directors of the co-operative shall prepare draft terms of reincorporation, which are governed, in so far as appropriate, by the provisions in chapter 16, sections 4–6, on a combination merger. In addition, the draft terms shall include a proposal for the share capital and other capital of the limited-liability company. The share capital of the limited-liability company and the account and opinion on the same in the draft terms and their appendices shall likewise be governed by the provisions in chapter 2, sections 4 and 4a, of the Limited-Liability Companies Act.

- (2) If the co-operative is to be reincorporated as a public limited-liability company, the provisions in chapter 17, section 1(2), of the Limited-Liability Companies Act apply as well.

Section 3 — *Decision of the general meeting of the co-operative*

- (1) The general meeting of the co-operative shall decide on the reincorporation, as provided in chapter 4.
- (2) In other respects, the decision on the reincorporation shall be governed, in so far as appropriate, by the provisions in chapter 16, sections 9, 10 and 18.

Section 4 — *End of membership*

- (1) A member of a co-operative to be reincorporated as a limited-liability company who has not supported the decision on the reincorporation has the right to resign from the co-operative as provided in chapter 4, section 25.
- (2) If the membership ends later than 30 days after the decision of the general meeting of the co-operative on the reincorporation, the former member shall be entitled to the consideration referred to in the draft terms of reincorporation, as approved.

Section 5 — *Permission for implementation and registration of the reincorporation*

- (1) The implementation of a decision on reincorporation shall require the permission of the registration authority, if:
 - (1) the total of the restricted equity of the limited-liability company to be registered is less than the capital of the co-operative, less the surplus and other corresponding items;
 - (2) the co-operative refunds share prices, under section 4, by a greater amount or more quickly than what is provided on a refund in chapter 10, sections 1—6; or
 - (3) the rules of the co-operative contain stipulations on the liability of members for refinancing.
- (2) The provisions in chapter 16, sections 12—14, apply to the application for the permission, the consideration of the same and the granting of the permission.
- (3) The board of directors chosen for the limited-liability company shall notify the registration authority of the implementation of the reincorporation of the co-operative as a limited-liability company within four months of the decision of the general meeting or the granting of the permission referred to in paragraph (1). The decision on the reincorporation shall lapse, if the notification is not filed on time or if the registration is not granted. The notification shall be governed, in so far as appropriate, by the provisions on the notification of the establishment of a limited-liability company to the trade register.

Section 6 — *Legal effects of registration*

- (1) The co-operative shall have been reincorporated as a limited-liability company upon the registration of the reincorporation into the trade register. At the same time, the liability of the members for refinancing, as stipulated in the rules, shall

cease. The right of the co-operative to compensation under chapter 20, section 1 or 2, or under section 44 of the Auditing Act shall not devolve on the limited-liability company.

- (2) Upon the registration of the reincorporation the members become entitled to the consideration and they become shareholders in the limited-liability company in accordance with the draft terms of reincorporation. At the same time, they become entitled to the refund of the paid-up amount for a share and to the consideration, as referred to in section 4.
- (3) The board of directors and the chief executive officer of the co-operative shall present an account to the meeting of the members of the co-operative; the account shall be governed by the provisions in chapter 16, section 17(3).

Chapter 19 — **Liquidation, dissolution, deregistration, restructuring and bankruptcy**

Decision on liquidation and deregistration

Section 1 — *Competence of the general meeting of the co-operative and of the registration authority*

- (1) The general meeting of the co-operative shall decide on the liquidation of the co-operative and on the filing of an application for the liquidation or deregistration of the co-operative.
- (2) The registration authority shall order the liquidation or deregistration of the co-operative if the criteria referred to in section 3 are met.

Section 2 — *Decision of the general meeting of the co-operative*

- (1) The general meeting of the co-operative shall decide on the liquidation of the co-operative if the co-operative is according to the rules to terminate its operations or if the membership has decreased as referred to in chapter 3, section 1 (*compulsory liquidation*). Chapter 12, section 14, contains provisions on the obligation of the co-operative to be liquidated in the context of the cancellation of its own investment shares. The general meeting of the co-operative may decide on the liquidation of the co-operative also for some other reason (*voluntary liquidation*).
- (2) Instead of a voluntary liquidation, the general meeting of the co-operative may decide to file an application for the liquidation or deregistration of the co-operative with the registration authority.
- (3) The provisions in chapter 4 apply to the decision of the general meeting of the co-operative.

Section 3 — *Decision of the registration authority*

- (1) The registration authority shall order the liquidation or deregistration of the co-operative if:
 - (1) the co-operative does not have a competent board of directors entered into the register;

- (2) the co-operative does not have a chief executive officer entered into the register even though so stipulated in the rules;
 - (3) the co-operative does not have a representative entered into the register, as referred to in section 6 of the Act on the Right to Pursue a Business (122/1919; *laki elinkeinon harjoittamisen oikeudesta*);
 - (4) regardless of the exhortation by the registration authority, the co-operative has not submitted its annual accounts for registration within one year of the end of the financial year, as required in chapter 6, section 9;
 - (5) the co-operative is to be liquidated owing to a stipulation in the rules or a decrease in membership, or the general meeting of the co-operative is to decide on the cancellation of its own investment shares or on liquidation, but no such decision has been made;
 - (6) the co-operative has been declared bankrupt, but the bankruptcy has lapsed for lack of assets; or
 - (7) the co-operative has applied for liquidation or deregistration.
- (2) A matter pertaining to liquidation or deregistration may be initiated, unless otherwise provided elsewhere in this chapter, by the board of directors, a director, the chief executive officer, an auditor, a member of the co-operative, a creditor or any other person whose right may be dependent on the appropriate registration or liquidation. In addition, the registration authority may take a matter referred to in paragraph (1)(1)—(6) up for consideration on its own motion.
 - (3) The registration authority shall order the liquidation or deregistration of the co-operative, unless it is shown before the resolution of the matter that there no longer are grounds for the same.

Section 4 — *Exhortations for corrections and comments*

- (1) In the cases referred to in section 3(1)(1)—(5), the registration authority shall exhort the co-operative in a suitable manner to correct the defects in the information in the register.
- (2) If the defects referred to in paragraph (1) are not corrected, the exhortation shall be sent to the co-operative in writing, indicating that the co-operative may be ordered into liquidation or deregistered unless the defects have been corrected before a set deadline. The exhortation shall be entered into the register on the authority's own motion and published in the *Official Gazette* no earlier than four months and no later than one month before the deadline. At the same time, those members and creditors wishing to comment on the liquidation or deregistration shall be advised to file their comments in writing before the deadline. The matter may be resolved even if it is not shown that the co-operative has received the exhortation.
- (3) If the co-operative applies for liquidation or deregistration, the registration authority shall advise the members and creditors of the co-operative to file their comments as provided in paragraph (2).

Section 5 — *Prerequisites for deregistration*

If the assets of the co-operative are not sufficient to cover the costs of liquidation or if no information is available on the amount of the assets, and if no member, creditor or other person undertakes to pay for the costs of liquidation, the registration authority shall deregister the co-operative instead of ordering it into liquidation.

Section 6 — *Choice of liquidators*

- (1) If the general meeting of the co-operative or the registration authority decide on liquidation, it shall at the same time choose one or several liquidators to serve instead of the board of directors, the chief executive officer and the supervisory board.
- (2) If a co-operative in liquidation does not have competent liquidators entered into the register, the registration authority shall appoint the liquidators. The appointment of liquidators may be applied for by anyone whose right may depend on the co-operative having a representative. If the assets of the co-operative are not sufficient for covering the costs of liquidation or if no information is available on the amount of the assets, and if no member, creditor or other person undertakes to pay for the costs of liquidation, the registration authority shall deregister the co-operative instead of appointing liquidators.

Liquidation procedure

Section 7 — *Beginning of liquidation*

Liquidation shall begin upon the making of the decision thereon. However, the general meeting of the co-operative may decide that a voluntary liquidation is to begin on a date later than the day of the decision.

Section 8 — *Registration of the decision of the general meeting of the co-operative*

If the general meeting of the co-operative has decided on the liquidation of the co-operative, the liquidators shall without delay notify the decision and the choice of liquidators for registration.

Section 9 — *Annual accounts for the period preceding the liquidation*

- (1) If the co-operative is in liquidation, the board of directors and the chief executive officer shall without delay prepare annual accounts and consolidated accounts for the period preceding the liquidation for which no annual accounts has not yet been presented to the general meeting of the co-operative. The annual accounts shall be presented to the general meeting of the co-operative as soon as possible. The provisions in this Act on annual accounts and consolidated accounts apply, in so far as appropriate, to the annual accounts.
- (2) If the period referred to in paragraph (1) covers also the preceding financial year, a separate annual accounts and consolidated accounts shall be issued in respect of this financial year.
- (3) If the general meeting of the co-operative decides on the voluntary liquidation of the co-operative, it may decide that the annual accounts referred to in paragraph

(1) need not be drawn up. The decision may be made also after the co-operative has been placed into liquidation.

- (4) Notwithstanding the decision of the general meeting of the co-operative, the liquidators may require that the board of directors and the chief executive officer prepare the annual accounts.

Section 10 — *Public summons to creditors*

- (1) The liquidators shall apply for the issue of a public summons to the creditors of the co-operative. The provisions in the Decree on Time Limits in Matters of Debt and on Public Summonses to Creditors (32/1868; *asetus määräajasta velkomisasiissa sekä julkisesta haasteesta velkojille*) apply to the public summons, unless otherwise ensues from the application of paragraph (2).
- (2) The public summons shall be applied for from the registration authority. In the summons, the creditors shall be exhorted to notify their receivables to the registration authority in writing before the deadline set by the authority. The provisions elsewhere in the law on the day of appearance apply to the deadline. The public summons shall be published in the *Official Gazette* no later than one month before the deadline. No later than three weeks before the deadline, the liquidators shall send a written notification of the publication to the known creditors of the co-operative. The registration authority shall notify the receivables notified to it to the liquidators without delay after the deadline. The registration authority shall enter the issue of the public summons into the register on its own motion.

Section 11 — *General meeting and delegates of a co-operative in liquidation*

- (1) The provisions in this Act on the general meeting of the co-operative apply also to the general meeting of the co-operative in liquidation, unless otherwise ensues from the application of the provisions in this chapter. If necessary for the conclusion of the liquidation and the continuation of the operations of the co-operative, the general meeting may decide also on the amendment of the rules and the raising of financing at terms corresponding to capital.
- (2) The term in office of the delegates of a co-operative in liquidation shall continue until the conclusion of the liquidation. However, a meeting of the delegates may decide that the election of the delegates shall be carried out in accordance with the rules also while the co-operative is in liquidation.

Section 12 — *Duties of the liquidators*

- (1) The provisions in this Act on the board of directors and a director apply also to the liquidators, unless otherwise ensues from the application of the provisions in this chapter.
- (2) The liquidators shall manage the affairs of the co-operative while it is in liquidation. As soon as possible, they shall liquidate the assets of the co-operative for cash to the extent required for the liquidation, as well as repay the debts of the co-operative. The business operations of the co-operative may be continued in so far as necessary for the appropriate liquidation thereof.

Section 13 — *Annual accounts in liquidation*

- (1) The liquidators shall prepare annual accounts and consolidated accounts for each financial year and submit the same for approval by an ordinary general meeting of the co-operative. The provisions in this Act on the proposal of the board of directors for measures regarding a surplus or a loss do not apply to such annual accounts.
- (2) The capital may be entered into the balance sheet as one item, with the share capital, supplementary share capital and investment share capital being indicated, by items, off-balance sheet, as stipulated in the rules.
- (3) Assets shall not be entered into the balance sheet at values exceeding their presumable selling price, less the specific costs of the sale. If it is anticipated that assets can be sold for an essentially higher price than that entered into the balance sheet, or if it is anticipated that the payment of a debt or the liquidation costs will require an amount essentially different from that entered into the balance sheet, the respective amounts shall be indicated, off-balance sheet, next to the corresponding assets or debts.

Section 14 — *Audit in liquidation*

The duties of the auditors shall not be terminated when the co-operative enters into liquidation. The provisions in chapter 7 apply, in so far as appropriate, also while the co-operative is in liquidation. Moreover, the audit report shall contain a statement to the effect whether the liquidation has in the opinion of the auditors been unduly extended.

Section 15 — *Bankruptcy of a co-operative in liquidation*

If the assets of the co-operative are not sufficient for covering the debts of the co-operative, the liquidators shall surrender the assets of the co-operative into bankruptcy.

Section 16 — *Repayment of debts and distribution of the assets to the members*

- (1) After the deadline pertaining to the public summons and after the repayment of all known debts, the liquidators shall distribute the remainder of the assets of the co-operative to the members. If a debt is in dispute or has not yet become due, or if a debt for some other reason cannot be repaid, the assets required for its repayment shall be set aside and the remainder distributed. A member may be given an advance towards his or her share in the distribution, provided that sufficient security for the same is provided.
- (2) The share of a member in the distribution shall consist of:
 - (1) a share of the distributable assets proportionate to the member's share in the co-operative, but no more than the paid-up amount of the share price; and
 - (2) after the share price refunds, a share of the remainder of the assets of the co-operative proportionate to the number of members in the co-operative.
- (3) Notwithstanding the provisions in paragraph (2), stipulations may be taken into the rules on the remainder of the assets:
 - (1) being distributed to the members in accordance with some other basis;

- (2) being distributed to the owners of supplementary shares and investment shares; and
- (3) being used for a purpose stipulated in the rules or decided by the general meeting of the co-operative.
- (4) If a share in the distribution would be less than the costs of the distribution, the court may on the application of the liquidators order that the share devolve to the state. Otherwise, the provisions in section 21 shall be observed.

Section 17 — *Final accounts*

- (1) After having performed their duties, the liquidators shall without delay present final accounts of their administration by drawing up a report of the whole of the liquidation proceedings. The report shall also contain an account of the distribution of the assets of the co-operative. The accounting documents for the whole of the liquidation proceedings shall be appended to the report. The report and its appendices shall be submitted to the auditors, who shall within one month present their audit report on the final accounts and the administration during the liquidation proceedings.
- (2) After having received the audit report, the liquidators shall without delay convene the members to the general meeting of the co-operative, so as to consider the final accounts.

Section 18 — *Date of dissolution and notification of dissolution*

- (1) The co-operative shall have been dissolved once the liquidators have presented the final accounts to the general meeting of the co-operative.
- (2) The liquidators shall without delay notify the dissolution of the co-operative for registration.

Section 19 — *Contesting the distribution and forfeiture of a share in the distribution*

- (1) If a member wishes to contest the distribution, the action against the co-operative shall be brought within three months of the submission of the final accounts to the general meeting of the co-operative.
- (2) A member shall forfeit his or her share in the distribution, if he or she does not appear to withdraw the share within five years of the submission of the final accounts to the general meeting of the co-operative.

Section 20 — *Action for compensation in the name of a dissolved co-operative*

The members of a dissolved co-operative with at least one fourth, or a smaller proportion as stipulated in the rules, of the total votes in the co-operative, may request in writing that the liquidators convene the general meeting of the co-operative to discuss the bringing of an action referred to in chapter 20. In this event, the provisions in chapter 4, section 10(2), and chapter 20, sections 4 and 5, shall be observed. In any event, however, the action shall be brought within one year of the submission of the final accounts.

Section 21 — *Continuation of liquidation*

- (1) If new assets appear to the co-operative after its dissolution, if an action is brought against the co-operative or if liquidation measures are otherwise necessary, the liquidation shall be continued. The liquidators shall without delay notify the same for registration.
- (2) However, the liquidation shall not be continued in the events referred to in paragraph (1) if the assets of the co-operative are not sufficient for covering the costs of liquidation or if there is no information on the amount of the assets or if no member, creditor or other person undertakes to pay for the costs of the liquidation.

Section 22 — *Conclusion of liquidation*

- (1) If the general meeting of the co-operative has decided on a voluntary liquidation or if the registration authority has ordered the co-operative's liquidation for lack of members, the general meeting of the co-operative may decide on the conclusion of the liquidation and the continuation of the operations of the co-operative. However, no such decision shall be made if there is a reason for the liquidation in accordance with this Act or the rules or if the assets of the co-operative have been distributed or refinancing collected from the members. An opinion of the auditors shall be obtained before the decision is made. In other respects, the decision shall be governed by the provisions in chapter 4.
- (2) When a decision referred to in paragraph (1) has been made, the management of the co-operative shall be chosen in accordance with the rules.
- (3) When the board of directors has been chosen, the liquidators shall without delay notify the decision to conclude the liquidation and the election of the board of directors for registration. The decision shall not be implemented before it is registered. A public summons to the creditors of the co-operative shall be without effects if the liquidation is concluded in accordance with this section.

Section 23 — *Operations after dissolution*

- (1) A co-operative that has dissolved cannot obtain rights nor enter into commitments. Any transaction entered into on behalf of the co-operative after it has dissolved shall be the responsibility of the participants in, or decision-makers of, the transaction. However, the liquidators may undertake measures for the continuation of the liquidation and the surrender of the co-operative into bankruptcy.
- (2) If a party to a contract entered into with the co-operative after it has dissolved did not know of the dissolution of the co-operative, he or she may withdraw from the contract.
- (3) If a dissolved co-operative has no liquidators, the provisions in chapter 11, section 7, of the Code of Judicial Procedure apply to the service of summonses and other notifications.

Deregistration

Section 24 — Date of deregistration

The co-operative shall have been deregistered once the decision of the registration authority on the same has been entered into the register.

Section 25 — Representatives of a deregistered co-operative

- (1) Where necessary, a deregistered co-operative shall be represented by one or several representatives. The competence of a representative to act on behalf of the co-operative shall be governed by the provisions in section 26. In other respects, the provisions on liquidators apply, in so far as appropriate, to the representatives. The representatives shall be chosen and dismissed by a meeting of the members, which shall be governed by the provisions on the general meeting of the co-operative.
- (2) If a deregistered co-operative has no representatives, the provisions in chapter 11, section 7, of the Code of Judicial Procedure apply to the service of summonses and other notifications.

Section 26 — Acting on the behalf of a deregistered co-operative

- (1) After deregistration, the deregistered co-operative cannot obtain rights nor enter into commitments. Any transaction entered into on behalf of the co-operative after it has been deregistered shall be the responsibility of the participants in, or decision-makers of, the transaction. However, the representatives of the co-operative may undertake measures for the commencement of liquidation or the surrender of the co-operative into bankruptcy. If a party to a contract entered into with the co-operative after it has been deregistered did not know of the deregistration of the co-operative, he or she may withdraw from the contract.
- (2) Notwithstanding the provisions in paragraph (1), the representatives of a deregistered co-operative may undertake measures that are essential for the repayment of the debts of the co-operative or the safeguarding of the value of the assets of the co-operative. Where necessary, the measures undertaken on the behalf of the co-operative may be noted in the accounts of the co-operative. The Act on Floating Charges applies to the effects of the deregistration on a floating charge.

Section 27 — Distribution of the assets of a deregistered co-operative

The assets of a deregistered co-operative may be distributed to its members only if the co-operative is liquidated as provided in this chapter. However, the representatives of the co-operative may distribute the assets of the co-operative to the members without liquidation, if five years have lapsed from the deregistration, if the assets of the co-operative are at most EUR 8,000 and if the co-operative has no known debts. The members shall be liable for the repayment of the debts of the co-operative up to the amount received in the distribution.

Section 28 — *Action for compensation in the name of a deregistered co-operative*

The members of a deregistered co-operative with at least one fourth, or a smaller proportion as stipulated in the rules, of the total votes in the co-operative, may request in writing that the representatives convene the general meeting of the co-operative to discuss the bringing of an action referred to in chapter 20. In this event, the provisions in chapter 4, section 10(2), and chapter 20, sections 4 and 5, shall be observed.

Section 29 — *Liquidation of a deregistered co-operative*

If liquidation proceedings are necessary after the deregistration of a co-operative, the registration authority shall order the liquidation of the co-operative on the application of a person whose interests are involved in the matter. However, the co-operative shall not be ordered into liquidation if its assets are not sufficient for covering the costs of liquidation or if there is no information on the amount of the assets and no member, creditor or other person undertakes to pay for the costs of the liquidation.

Corporate restructuring and bankruptcy

Section 30 — *Restructuring*

An application for restructuring proceedings, as referred to in the Act on the Restructuring of Companies, may be filed for a co-operative by the decision of the general meeting of the co-operative. Also the board of directors may file such an application, if it considers that the urgency of the matter so requires. In this event, the board of directors shall without delay convene the general meeting of the co-operative to discuss whether to carry on with the application.

Section 31 — *Bankruptcy*

- (1) The assets of the co-operative may be surrendered into bankruptcy only by the decision of the board of directors or, if the co-operative is in liquidation, by the decision of the liquidators. While in bankruptcy, the co-operative as the bankrupt debtor shall be represented by the board of directors and the chief executive officer or by the liquidators chosen before the commencement of the bankruptcy. However, new directors or liquidators may be chosen while the co-operative is in bankruptcy.
- (2) If there are no assets left at the conclusion of the bankruptcy, the co-operative shall have been dissolved once the bankruptcy administration has presented its final accounts. The bankruptcy administration shall without delay notify the dissolution for registration.
- (3) If there are assets left at the conclusion of the bankruptcy and the co-operative was not in liquidation when its assets were surrendered into bankruptcy, the board of directors shall without delay convene the general meeting of the co-operative to decide whether to continue the operations of the co-operative or to surrender it into liquidation. If the general meeting of the co-operative decides to continue the operations, the board of directors shall without delay notify the same

for registration. If the co-operative is in liquidation when it is surrendered into bankruptcy, the provisions in section 20 shall be observed.

- (4) If the bankruptcy of the co-operative has been concluded and new assets appear in the co-operative, the provisions in paragraph (3) shall be observed.

Chapter 20 — **Liability in damages**

Section 1 — *Liability of the management*

A director, a supervisor, the chief executive officer and a liquidator shall be liable in damages for the loss to the co-operative caused by an deliberate or negligent act in office. The same applies to loss caused to a member or someone else by a violation of this Act or the rules.

Section 2 — *Liability of a member*

A member shall be liable in damages for the loss caused to the co-operative, a member or someone else by deliberately or grossly negligently contributing to a violation of this Act or the rules.

Section 3 — *Adjustment and allocation of liability*

The provisions in chapters 2 and 6 of the Tort Liability Act (412/1974; *vahingonkorvauslaki*) apply to the adjustment of liability and the allocation of liability among several persons liable.

Section 4 — *Decision to bring an action*

- (1) The decision to bring an action for damages in the name of the co-operative by virtue of section 1 or 2, or section 44 of the Auditing Act, shall be made by the general meeting of the co-operative. However, the board of directors may decide to bring an action for damages based on a punishable act.
- (2) The decision of the general meeting of the co-operative to release someone from liability or not to bring an action shall not preclude the co-operative from bringing an action, if the general meeting has not in the annual accounts, audit report or otherwise been given essentially true and complete information on the decision or act that is the basis of the action.
- (3) If the co-operative is declared bankrupt on the basis of an application filed within two years of the general meeting of the co-operative that decided to release someone from liability or not to bring an action, the bankruptcy estate may bring an action notwithstanding the previous decision. The same provision applies to an administrator, if the proceedings referred to in the Act on the Restructuring of Companies have been commenced within the said time.

Section 5 — *Minority right to bring an action*

- (1) On the request of the members, an action may be brought in the name of the co-operative notwithstanding the provisions in section 4(1) and (2), if:
 - (1) the general meeting of the co-operative has decided to release someone from liability or not to bring an action, but the decision has been opposed by

members with at least one fourth, or the smaller proportion as stipulated in the rules, of the total votes in the co-operative;

- (2) the decision in a matter pertaining to a release from liability has not been made within eight months of the end of the financial year; or
 - (3) the decision to bring an action for compensation has otherwise not been made within two months of the time when the matter should have been discussed in the general meeting of the co-operative.
- (2) An action may be brought by members with at least one fourth, or the smaller proportion as stipulated in the rules, of the total votes of the co-operative. If a member discontinues the action after it has been brought, the remaining members who brought the action may continue to pursue it.
 - (3) The action shall be brought within three months of the decision of the general meeting of the co-operative, referred to in paragraph (1), or the end of the time limit referred to in paragraph (1) or, if a special audit referred to in chapter 7, section 7, has been requested, of the presentation of the special audit report to the general meeting of the co-operative, or of the rejection of the request to appoint a special auditor.
 - (4) The members who bring an action shall be liable for the legal costs. However, they shall be entitled to a reimbursement of the same from the co-operative in so far as the assets won into the co-operative by the action suffice for the same. The court may order that the members who brought the action shall be paid a share of the assets won into the co-operative, proportionate to their shares in the co-operative.

Section 6 — *Time limits for bringing an action*

- (1) No action shall be brought in the name of the co-operative by virtue of sections 1 or 2, or section 44 of the Auditing Act, unless the action is based on a punishable act:
 - (1) against a director, a supervisor or the chief executive officer, if three years have lapsed from the end of the financial year during which the decision or the measure on which the action is based was made or taken;
 - (2) against an auditor, if three years have lapsed from the presentation of the audit report, opinion or certificate on which the action is based; nor
 - (3) against a member, if two years have lapsed from the decision or measure on which the action is based.
- (2) If the time limit for the bringing of an action in the name of the co-operative has expired, the action referred to in section 4(3) shall not be brought once one month has lapsed from the declaration of receivables in a bankruptcy.

Chapter 21 — **Savings fund operations**

Co-operatives pursuing savings fund operations and the rules of the operations

Section 1 — *Preconditions for operations*

- (1) A co-operative whose main purpose is retailing may pursue savings fund operations in order to finance its operations, by accepting Euro-denominated deposits from its

members on accounts meeting the criteria laid down in section 7 (*member deposit*), provided that the co-operative has at least 500 members and that its share capital paid up in cash amounts to at least EUR 80,000.

- (2) A co-operative that is a parent or subsidiary co-operative in a corporate group may accept member deposits only if the main purpose of the corporate group is retailing.

Section 2 — *Cessation of operations*

- (1) If the membership or the share capital of a co-operative pursuing savings fund operations diminishes to below the requirement provided in section 1(1), the co-operative shall cease to accept member deposits. If the membership or the share capital do not return to the requirement provided in section 1(1) within six months, the co-operative shall cease its savings funds operations. In this event, the co-operative shall terminate any member deposits and thereafter close the member deposit accounts in accordance with the terms of the accounts.
- (2) If a co-operative has ceased its savings fund operations as provided in paragraph (1), it shall not restart the operations until its membership and share capital have met the requirement provided in section 1(1) continuously for at least one year.
- (3) If the co-operative pursuing savings fund operations or, if the co-operative is a parent or subsidiary referred to in the Accounting Act, the corporate group no longer has retailing as its main purpose, the co-operative shall terminate any member deposits and thereafter close the member deposit accounts in accordance with the terms of the accounts.
- (4) If a co-operative has ceased its savings fund operations as provided in paragraph (3), it shall not restart the operations until the co-operative or the corporate group has had retailing as its main purpose for at least one full financial year.
- (5) A member who has made a fixed-term member deposit has the right to terminate the deposit with immediate effect, if the co-operative has ceased its savings fund operations as provided in paragraph (1) or (3).

Section 3 — *Rules of the savings fund operations*

- (1) A co-operative pursuing savings fund operations shall incorporate the rules of the savings fund operations into its rules. The co-operative shall submit the rules and any amendments thereto to the Ministry of Finance for approval. The co-operative shall not start its savings fund operations until the Ministry has approved the rules of the operations. The rules of the operations shall not contain stipulations that are unreasonable to the members.
- (2) The rules of the savings fund operations shall include at least the following stipulations:
 - (1) whose member deposits can be accepted;
 - (2) where the member deposits can be accepted;
 - (3) how the savings fund operations are to be audited, and especially the rights and duties of the auditors of the savings fund operations and the contents of the audit;

- (4) how the monitoring, reporting and supervision of the reserve requirement provided in section 10 are to be arranged;
 - (5) how the limits of member deposits are to be determined;
 - (6) how the notifications on member deposits are to be brought to the attention of the members who have such deposits;
 - (7) when and where the interim report referred to in section 13 and the annual accounts and account statement referred to in section 14 are available to the members who have member deposits.
- (3) In addition, the other stipulations deemed necessary by the Ministry of Finance shall be included in the rules of the savings fund operations.
 - (4) There shall be no stipulations in the rules to the effect that the co-operative is to have dedicated savings fund branches without other activities.

Operations of a savings fund

Section 4 — Account holder

- (1) A co-operative may accept member deposits only from its members and the underage children of its members (*member depositor*) on accounts held by the same.
- (2) If the membership of a member depositor ends or if a receivable based on a member deposit devolves on an private individual or legal person who is not a member of the co-operative, the co-operative shall terminate the member deposit within one year of being informed of the event and thereafter close the member deposit account in accordance with the terms of the account. The same procedure shall be followed when an underage member depositor comes of age. However, a fixed-term deposit shall remain in force until it matures.

Section 5 — Locations

A co-operative may accept member deposits at such offices and outlets in Finland of the co-operative, a subsidiary, a co-operatives' central firm, and a company where the majority of the votes and the share capital is held by co-operatives pursuing savings fund operations, where the acceptance of deposits is permitted under the rules of the savings fund operations.

Section 6 — Advertising of savings fund operations

- (1) In the advertising of its savings fund operations, a co-operative shall not provide false or misleading information, nor engage in any other conduct that is unfair or improper to the member depositor.
- (2) The Market Court may enjoin the co-operative from further advertising that is contrary to paragraph (1) or from repeating the same or comparable advertising. The Market Court may issue also an interim injunction, which is in effect until the matter has been finally resolved. The injunction may be reinforced by the threat of a fine.

Section 7 — *Terms of a member account*

- (1) The general terms of member accounts, used for the acceptance of member deposits, shall be approved by the Ministry of Finance. None of the terms of the accounts shall be unreasonable to the member depositors nor conducive to distorting competition.
- (2) The only benefit that the co-operative may offer for a member deposit is the interest referred to in the terms of the account. The provision of other benefits based on a member deposit is prohibited.

Section 8 — *Member deposit certificate*

- (1) If a specific certificate is to be issued for a member deposit, it shall be issued to a named person. The certificate and the accounts register shall bear the membership number in the co-operative of the member depositor or, if the member depositor is underage, of his or her parent. The member deposit certificate may be assigned only to a named person, and the assignment shall be entered on the certificate. A condition may be attached to a member deposit account to the effect that the account can be used also by someone else than the member depositor.
- (2) If a member deposit certificate issued by a co-operative pursuing savings fund operations has a specific condition to the effect that no funds can be withdrawn unless the certificate is returned or unless an entry on the withdrawal is made on the certificate, and if that certificate has been lost, the owner of the document shall notify the loss to the co-operative and at the same time inform them of the time and place where it was lost. The co-operative shall announce the loss of the certificate by taking out one announcement in the *Official Gazette* at the expense of the owner. If the document has not been discovered within six months of the announcement, the owner of the certificate shall be entitled to collect on his or her receivable in accordance with the terms of the account; the former certificate shall not confer any standing as against the co-operative once the member deposit funds have been repaid.

Section 9 — *Set-off*

- (1) A co-operative pursuing savings fund operations shall not use any counterreceivables in a set-off against funds in the member deposit account of a private individual or directed to be paid to such a person, in so far as the funds are by law protected against distraint. Before any set-off, the co-operative shall ascertain that the funds can be validly distrained. The demand for a set-off shall be notified to the member depositor. A set-off contrary to the provisions in this paragraph shall be void.
- (2) If the status of the assets as validly distrainable cannot be ascertained without unreasonable inconvenience, the co-operative may in any event demand a set-off, if, in connection with the notification of the demand, it notifies the member depositor in writing of the restriction of the right of set-off provided in paragraph (1) and of the reversal of the set-off provided in this paragraph. The set-off shall be reversed if the member depositor shows, within 14 days of the notification of the

demand, that the funds are not validly distrainable. If there is no other information available on the time of notification of the demand for a set-off, the demand shall be deemed to have come to the attention of the member depositor on the seventh day after the notification of the demand was sent to him or her. If the information referred to in this paragraph is not given to the member depositor, the set-off shall be void.

- (3) The provisions in paragraph (1) do not apply to the specific authorisations by the member depositor to make charges against the funds on the member deposit account. The member depositor may cancel such an authorisation at any time. An agreement restricting the rights of a member depositor under this paragraph shall be void.

Section 10 — *Cash reserve*

- (1) A co-operative pursuing savings fund operations shall have a cash reserve, adequate in terms of the nature and amount of member deposits and no less than 25 per cent of the amount of member deposits repayable upon demand and ten per cent of the amount of the other member deposits in the co-operative.
- (2) The cash reserve of a co-operative pursuing savings fund operations shall consist of:
 - (1) the cash assets held by the co-operative;
 - (2) receivables from domestic credit institutions and comparable foreign credit institutions and from the central firm of co-operatives pursuing savings fund operations, in so far as these mature within one month or can be terminated to be repaid within one month;
 - (3) certificates of claim that can be divested with ease.

Section 11 — *Security for member deposits*

A co-operative pursuing savings fund operations may arrange a guarantee or some other security to cover the receivable of a member depositor. The security arrangement and the coverage offered thereby shall be accounted for in the interim report and the account statement. If the co-operative has not arranged a guarantee or other security, also this shall be mentioned in the interim report and the account statement. In addition, the co-operative shall disclose any essential changes in the security arrangements or the value of the security, as provided in section 15.

The co-operative's duty of disclosure

Section 12 — *Duty of disclosure*

A co-operative pursuing savings fund operations shall make the information on any circumstances with an essential effect on the value of a member deposit available to the member depositors at all branches and outlets where member deposits can be accepted in accordance with the co-operative's rules of the savings fund operations.

Section 13 — *Interim statement and annual statement*

- (1) A co-operative pursuing savings fund operations shall prepare an interim statement for each of its financial years longer than six months. The interim statement shall cover the first six months of the financial year.
- (2) If the financial year of the co-operative has been extended from that stipulated in the rules, the co-operative shall also prepare an annual statement for the first 12 months of the financial year. The provisions on an interim statement apply also to an annual statement.
- (3) The board of directors of the co-operative shall issue the interim statement. If the auditors of the co-operative have audited the statement, the possible remarks and comments of the auditors shall be appended to the statement.
- (4) If the co-operative is to prepare consolidated accounts, the interim statement shall be prepared on the basis of the information on the whole of the corporate group.
- (5) The interim statement shall be prepared in accordance with generally accepted accounting principles; it shall provide a true and fair view of the co-operative, so that a member depositor can make an informed assessment of the operations and results of the co-operative and the trends pertaining to the same.
- (6) The interim statement shall contain an account of the operations of the co-operative, the development of its results and investments, and the changes in its financial circumstances and operational conditions for the period after the end of the preceding financial year. Any exceptional items which have affected the operations and the results during the statement period shall also be accounted for. The information supplied in the interim statement shall be such that they can be compared with the information from the corresponding statement period of the preceding financial year. Moreover, the interim statement shall contain an account of the events after the statement period in so far as these are essential to the operations and results of the co-operative, and of the likely developments in the co-operative during the current financial year in so far as possible. More detailed provisions on the contents of the statement and the format of the information to be supplied shall be issued by a Decree of the Ministry of Finance.
- (7) The interim statement shall be made available to the member depositors without undue delay and in any event no later than three months after the end of the statement period.
- (8) The interim statement shall be kept available to the member depositors at all branches and outlets where member deposits can be accepted in accordance with the co-operative's rules of the savings fund operations. In addition, the interim statement shall be sent, free of charge, to those member depositors requesting the same.
- (9) Upon application, the co-operative may be granted exemptions regarding the contents and preparation of the interim statement, if such an exemption does not prejudice the interests of the member depositors. More detailed provisions on the grounds for an exemption shall be issued by a Decree of the Ministry of Finance.

- (10) An exemption regarding the contents of an interim statement shall be granted by the Accounting Board and an exemption regarding the preparation of an interim statement by the Ministry of Finance. The statement shall contain a note of any exemption. The Accounting Board and the Ministry of Finance shall at once notify each other of any applications for exemptions and of their decisions relating to the same.

Section 14 — *Annual accounts and account statement*

- (1) A co-operative pursuing savings fund operations shall provide in its annual accounts a true and fair view of the circumstances which have an essential effect on the value of the member deposits. More detailed provisions on the contents of the annual accounts and the format of the information to be supplied shall be issued by a Decree of the Ministry of Finance.
- (2) The annual accounts shall be kept available to the member depositors no later than one week before the ordinary general meeting of the co-operative at all branches and outlets where member deposits can be accepted in accordance with the co-operative's rules of the savings fund operations. The audit report shall likewise be kept available to the member depositors. However, the co-operative shall make the audit report available to the member depositors at once, if the auditors:
 - (1) have issued a qualifying remark on the basis of the audit;
 - (2) do not recommend that the balance sheet or the income statement be approved or the persons liable be released from liability;
 - (3) have not concurred with the proposal of the board of directors for the use of the surplus, where a decision on the same may be an issue under chapter 8, sections 2—5, or for measures arising from a loss; or
 - (4) deem that the interim reports made available to the member depositors during the financial year have not been prepared in accordance with the applicable provisions.
- (3) A co-operative pursuing savings fund operations shall put out a release on the main points of the annual accounts (*account statement*) at once after the annual accounts has been completed. If the co-operative is to prepare consolidated accounts, the account statement shall be based on the information regarding the whole of the corporate group. More detailed provisions on the contents of the account statement and the format of the information to be supplied shall be issued by a Decree of the Ministry of Finance.
- (4) The account statement shall be kept available to the member depositors at all branches and outlets where member deposits can be accepted in accordance with the co-operative's rules of the savings fund operations.
- (5) The annual accounts and the account statement shall be sent free of charge to all member depositors requesting the same.
- (6) Upon application, the co-operative may be granted exemptions regarding the contents of the annual accounts and the contents and preparation of the account statement, if such an exemption does not prejudice the interests of the member

depositors. More detailed provisions on the grounds for an exemption shall be issued by a Decree of the Ministry of Finance. An exemption regarding the contents of the annual accounts or the account statement shall be granted by the Accounting Board and an exemption regarding the preparation of the account statement by the Ministry of Finance. The annual accounts and the account statement shall contain a note of any exemption. The Accounting Board and the Ministry of Finance shall at once notify each other of any applications for exemptions and of their decisions relating to the same.

Section 15 — *Continuous duty of disclosure*

- (1) A co-operative pursuing savings fund operations shall disclose, without undue delay, all decisions and other circumstances relating to the co-operative or its operations which are conducive to essentially affecting the value of the member deposits.
- (2) Upon application, the Ministry of Finance may grant an exemption regarding the duty of disclosure referred to in paragraph (1), if non-disclosure does not prejudice the interests of the member depositors. Moreover, it shall be a prerequisite for an exemption that the disclosure would be contrary to the public interest or that it would cause essential harm to the co-operative. The application for an exemption shall be filed immediately after the duty of disclosure arises in a given situation.

Audit, access to information and secrecy

Section 16 — *Audit of savings fund operations*

- (1) The auditors of a co-operative shall audit also its savings fund operations.
- (2) The general meeting of the co-operative pursuing savings fund operations shall choose at least one auditor, who must be an auditor or audit organisation certified by the Central Chamber of Commerce or a local chamber of commerce. If the co-operative has a central firm, one of the auditors of the co-operative shall be a certified auditor or audit organisation nominated by the central firm.
- (3) The rights and duties of the auditors and the contents of the audit shall be governed by the co-operative's rules of the savings fund operations.

Section 17 — *Access of the Ministry to information*

A co-operative pursuing savings fund operations and the auditor of such a co-operative shall grant to the Ministry of Finance access to the information it needs for the performance of the tasks laid down in this Act, as well as supply the Ministry with copies of the documents and other records deemed necessary by the Ministry for the performance of the tasks laid down in this Act.

Section 18 — *Auditors' duty to alert*

- (1) An auditor shall alert the board of directors of the co-operative and the Ministry of Finance at once of any circumstances or decisions that the auditor has become aware of in the course of his or her duties and that can be deemed:
 - (1) to essentially violate the provisions or official regulations on savings fund operations, or the terms of the member deposit accounts;

- (2) to result in a qualifying remark to be made in the audit report of the recommendation that the annual accounts not be approved; or
- (3) to prejudice the continuation of the operations of the co-operative.
- (2) The provision in paragraph (1) applies also to any circumstances or decisions that the auditor has become aware of in the course of his or her duties at an organisation or foundation belonging to the same corporate group.
- (3) The board of directors of the co-operative shall disclose the alert of the auditor referred to in paragraph (1)(1) or (1)(2) as provided in sections 12 and 15.
- (4) The auditor shall be liable to compensate for the economic loss that has been caused to the co-operative by the examination of a business transaction, the reporting of a suspicious transaction or the interruption of or withdrawal from a transaction only if the auditor has not proceeded with such care that can be reasonably expected of him or her in view of the circumstances. In other respects, the liability of an auditor for compensation shall be governed by the provisions in the Tort Liability Act.

Section 19 — *Secrecy*

- (1) A person who, in the course of a duty relating to savings fund operations as a member or alternate member of an organ of a co-operative, an organisation belonging to the same corporate group as the co-operative, or the central firm of the co-operative, or as an employee of the same, has become aware of a financial circumstance or a personal matter of a member depositor or another person, or of a business or professional secret, shall keep the same secret, unless the person protected by the secrecy provision permits the disclosure of the information. Secret information shall also not be disclosed to the general meeting of the co-operative, the delegates or a member participating in the general meeting.
- (2) The co-operative and an organisation and a foundation in the same corporate group shall disclose the information referred to in paragraph (1) to a prosecutor or a criminal investigation authority for the investigation of crime, as well as to other authorities who are by law entitled to access to such information.
- (3) The co-operative and an organisation and a foundation in the same corporate group may disclose the information referred to in paragraph (1) to an organisation or foundation in the same corporate group or to the central firm of the co-operative, if the members of the administrative organs or the employees of the same are bound by a duty of secrecy provided in paragraph (1) or by a corresponding duty of secrecy.

Miscellaneous provisions

Section 20 — *Failure to comply with the provisions and regulations on savings fund operations*

- (1) If a supervisor or alternate supervisor, a director or alternate director, an employee, or an auditor of a co-operative pursuing savings fund operations has not complied with the provisions in this chapter and in the Act on the Prevention and Clearing-up of Money Laundering (68/1998; *laki rahanpesun estämisestä ja selvittämisestä*), the rules of the co-operative, the co-operative's rules of the savings fund operations, or the official regulations on the same, the State Provincial Office

may on the application of an auditor or a member compel the in-compliant person to fulfil his or her duties under threat of a fine.

- (2) If, in the operations of a co-operative pursuing savings fund operations, there has been an essential violation of the provisions in an Act or a Decree, the official instructions issued on the basis of the same, or the co-operative's rules of the savings fund operations, or if the co-operative no longer meets the criteria for savings fund operations, the State Provincial Office may on the request of an auditor, a member or a registered association looking after the interests of member depositors, of whose members at least one half are member depositors, order that the savings fund operations be terminated.
- (3) If the termination of the savings fund operations has been ordered under paragraph (2), the co-operative shall not restart savings fund operations until the Ministry of Finance has approved new rules of the savings fund operations for the co-operative.

Section 21 — *Right of another co-operative to accept deposits*

- (1) In addition to the co-operatives referred to in section 1, also a co-operative which has only intra-member operations and whose membership requirement is being an employee of a given organisation, may accept deposits, other than those referred to in chapter 1, section 2, of the Securities Markets Act (495/1989; *arvopaperimarkkinalaki*), from its members.
- (2) The provisions in section 8(2) of this chapter apply to the cancellation of a deposit certificate issued by a co-operative referred to in paragraph (1). The other provisions in this chapter do not apply to a co-operative referred to in paragraph (1).

Chapter 22 — **Penal provisions**

Section 1 — *Offence in a co-operative*

A person who deliberately

- (1) violates the provisions in chapter 16, section 5, chapter 17, section 2, or chapter 18, section 2, on the drafting of an auditors' opinion;
- (2) violates the provisions on the repayment of the capital amount of a capital loan, or the payment of interest or some other benefit, or the provision of security for the same;
- (3) distributes the assets of the co-operative in violation of the provisions in this Act, or
- (4) gives a loan, provides security or hands over other assets in violation of the provisions in chapter 8, section 7,

shall, unless the act is insignificant or unless a more severe penalty for it is provided elsewhere in the law, be convicted of an *offence in a co-operative* and sentenced to a fine or to imprisonment for at most one year.

Section 2 — *Infraction in a co-operative*

- (1) A person who deliberately

- (1) issues a share certificate, supplementary share certificate or investment share certificate in violation of chapter 9, section 13, chapter 11, section 11, or chapter 12, section 7, or, when issuing an interim certificate, an option certificate or a negotiable convertible bond, acts in violation of the provisions in this Act;
- (2) violates the provisions on the availability of the minutes of the general meeting of the co-operative or the unanimous decisions of the members;
- (3) neglects to keep a membership register, a register of supplementary shares or a register of investment shares, or to keep the same available; or
- (4) violates the provisions in chapter 6 on the preparation of the annual accounts or the consolidated accounts, or the provisions in this Act on the submission of the final accounts relating to a merger, division, reincorporation or liquidation of the co-operative,

shall, unless the act is insignificant or unless a more severe penalty for it is provided elsewhere in the law, be convicted of an *infraction in a co-operative* and sentenced to a fine.

- (2) A person who acts as referred to in paragraph (1)(4) through gross negligence shall likewise be convicted of an infraction in a co-operative.

Section 3 — *Savings fund offence*

A person who deliberately or through gross negligence

- (1) pursues savings fund operations without approved rules, as referred to in chapter 21, section 3, or acts as referred to in section 20 of the same chapter;
- (2) accepts member deposits in violation of the terms of the member deposit account referred to in chapter 21, section 7, of
- (3) in violation of the provisions in this Act uses the words “savings fund” (*säästökassa*) in its trade name or otherwise as an indication of its operations,

shall, unless the act is insignificant or unless a more severe penalty for it is provided elsewhere in the law, be convicted of a *savings fund offence* and sentenced to a fine or to imprisonment for at most six months.

Section 4 — *Savings fund infraction*

- (1) A person who deliberately or negligently

- (1) violates the provisions in chapter 21, section 6, 13 or 14, on the advertising of savings fund operations, the interim report, the annual report, the annual accounts and the account statement,
- (2) neglects the duty of disclosure provided in chapter 21, section 11 or 15, or
- (3) violates the co-operative’s rules of savings fund operations otherwise than as referred to in section 3,

shall, unless the act is insignificant or unless a more severe penalty for it is provided elsewhere in the law, be convicted of a *savings fund infraction* and sentenced to a fine.

- (2) A person who deliberately or negligently violates the provisions in chapter 21, section 21, shall likewise be convicted of a savings fund infraction.

Section 5 — *Breach of a duty of secrecy relating to savings fund operations*

The penalty for a breach of the duty of secrecy referred to in chapter 21, section 19, shall be governed by the provisions in chapter 38, sections 1 and 2, of the Penal Code (39/1889; *rikoslaki*), unless a more severe penalty for the act is provided elsewhere in the law.

Chapter 23 — **Miscellaneous provisions**

Section 1 — *Competent court*

Notwithstanding the provisions on jurisdiction in civil matters, an action for compensation referred to in chapter 20, section 4 or 5, may be brought in the court in whose district the co-operative has its seat. The same court shall have jurisdiction also regarding claims for compensation arising from a criminal offence as well as regarding actions, referred to in chapter 12, section 12 or 13, chapter 16, section 12(3), chapter 17, section 4 or chapter 18, section 5, on whether the creditor has received payment or sufficient security for a receivable.

Section 2 — *Service of notices on a co-operative*

- (1) A summons and another notice shall be deemed to have been served on a co-operative when it has been served on a director, the chief executive officer or another person who is entitled to sign for the co-operative alone or with someone else. If the Trade Register does not indicate that the co-operative has directors, a chief executive officer or another person entitled to sign for the co-operative alone or with someone else, the provisions in chapter 11, section 7, of the Code of Judicial Procedure apply, in so far as appropriate, to the service of notices on the co-operative.
- (2) If the board of directors wishes to bring an action against the co-operative, it shall convene the general meeting of the co-operative to choose an attorney to represent the co-operative in court. In this event, the summons shall be deemed to have been served on the co-operative when it is presented to the general meeting of the co-operative.
- (3) If the board of directors wishes to contest a decision of the general meeting of the co-operative, the right to bring an action shall not have been barred under chapter 4, section 26(2), if the convocation to the general meeting of the co-operative that is to choose the attorney has been delivered within three months of the general meeting of the co-operative whose decision is being contested.

Section 3 — *Stay of implementation*

- (1) If an action for contesting the decision of the general meeting of the co-operative is pending, the court may, on the application of the plaintiff, issue an order staying the implementation of the decision before the resolution of the main issue. The court may also issue an interim order to this effect, until the matter is brought before the court. If need be, the court may revoke the order.

- (2) A decision referred to in paragraph (1) shall not be separately open to appeal. The decision shall without delay be notified to the registration authority on the court's own motion, if the decision of the general meeting of the co-operative is of a kind that it is under the law to be notified for registration.

Section 4 — *Arbitration*

- (1) If, under the rules, a dispute between the co-operative, on one hand, and the board of directors, the supervisory board, a director, a supervisor, the chief executive officer, an auditor or a member, on the other hand, is to be submitted to arbitration, the stipulation shall have the same effect as an arbitration agreement.
- (2) If a dispute between the co-operative and the board of directors is submitted to arbitration, the provisions in section 2(2) and 2(3) apply to the appointment of an attorney and the calculation of the time limit.

Section 5 — *Registration authority and notifications to the same*

- (1) The National Board of Patents and Registration of Finland shall act as the registration authority referred to in this Act.
- (2) In addition to the provisions in this Act, also the provisions elsewhere apply to the notifications and information to be sent from the co-operative to the registration authority.

Chapter 24 — **Entry into force**

Section 1 — *Entry into force*

This Act shall enter into force as specifically provided in an Act.