

**Kerala State Co-Operative Agricultural And Rural
Development Banks Act, 1984**

20 of 1984

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Kerala State Co-Operative Agricultural And Rural Development Banks Act, 1984

20 of 1984

An Act to facilitate the more efficient working of Co-operative ["Agricultural and Rural Development Banks"] in the State of Kerala. WHEREAS it is expedient to facilitate the more efficient working of the Co-operative ["Agricultural and Rural Development Banks"] in the State of Kerala; BE it enacted in the Thirty-fifth Year of the Republic of India as follows:-

CHAPTER 1

PRELIMINARY

1. Short Title, Extent And Commencement :-

- (1) This Act may be called the Kerala; State Co-operative ["Agricultural and Rural Development Banks"] Act, 1984.
- (2) It extends to the whole of the State of Kerala.
- (3) It shall come into force at once.

2. Definitions :-

In this Act, unless the context otherwise requires,-

- (a) ["Agricultural and Rural Development Bank"] means the Kerala; Co-operative Central Land Mortgage Bank Limited, registered under section 10 of the Travancore-Cochin Co-operative Societies Act, 1951 (X of 1952), which shall hereafter be known as the ["Kerala; State Co-operative Agricultural and Rural Development Bank Limited";]
- (b) "Board" means the board of directors of the Kerala State Co-operative ["Agricultural and Rural Development Bank Limited";]
- (c) "committee" in relation to a primary bank, means the board of directors or board of management or the committee of management or the governing body to which the management of its affairs is entrusted;
- (d) "co-operative society" means a co-operative society registered or deemed to be registered under the Kerala; Co-operative Societies Act, 1969 (21 of 1969);
- (e) "Gehan" means a special charge on movable or immovable

property, in favour of the Agricultural Development Bank or a primary bank by a mere declaration in writing by the borrowers for securing the payment of money advanced or to be advanced by way of loan, which will have all the characteristics of a valid mortgage;

(f) "prescribed" means prescribed by rules made under this Act;

(g) "primary agricultural credit society" means a co-operative society,

[xxx] the principal object of which is the raising of funds for lending to its members primarily for agriculture and allied purposes; [or for rural development activities]

(h) "primary bank" means a co-operative society registered under the Kerala Co-operative Societies Act, 1969 (21 of 1969), as a Primary Co-operative Agricultural Development Bank Limited and admitted as a member of the Agricultural Development bank and includes a co-operative society registered or deemed to be registered under the said Act as a Primary Co-operative Land Mortgage Bank Limited and admitted as a member of the Kerala Co-operative Central Land Mortgage Bank Limited which shall hereafter be [known as a Primary Co-operative Agricultural and Rural Development Bank Limited;]

[(i) "Registrar" means the Registrar of Co-operative Societies appointed under sub-section (1) of section 3 of the Kerala Co-operative Societies Act, 1969 (21 of 1969), and includes any officer of the Co-operative Department, not below the rank of Joint Registrar, on whom the powers and functions of the Registrar under this Act, except those under section 5 and section 44, are conferred, by general or special order, by the Government;]

[(iA) "Rural Development" means any activity intended to promote the development in rural area and includes the following developmental activities,-

(1) development of handicrafts and other crafts.

(2) small industries.

(3) cottage and village industries.

(4) industries in tiny and decentralized section.

(5) rural housing needs of the rural population.]

(j) "State" means the State of Kerala;

(k) "Trustee" means the Trustee referred to in section 5.

CHAPTER 2

DEBENTURES

3. Issue Of Debentures By Board :-

(1) With the previous sanction of the Trustee, the Board may issue debentures of one or more denominations for such period as it may deem expedient on the security of Gehan or mortgage or hypothecation held or mortgages, charges or hypothecation partly held and partly to be acquired or; other assets taken by the Agricultural Development Bank and its other assets and Gehan or mortgages or hypothecation transferred or deemed under the provisions of section 13; to have been transferred by the primary banks to the Agricultural Development Bank.

(2) Notwithstanding anything contained in sub-section (1), in respect of loans guaranteed by the Government and granted to any person or to any body of persons, whether incorporated or not, and whether or not established by or under any law for the time being in force, if such a body is approved by the Government, the Board may, with the previous permission of the Trustee, issue debentures, on the strength of such Government guarantee and without the security of Gehan or mortgages or hypothecation and other assets, of one or more denominations, for such periods as it may deem expedient and subject to such conditions as the Government may think fit to impose.

(3) The debentures issued under sub-section (2) may contain a term fixing a period not exceeding thirty years from the date of issue during which they shall be irredeemable or reserving to the Board the right to call in, at any time, any of the debentures in advance of the date fixed for redemption after giving the debenture holder concerned not less than three months notice in writing.

(4) The total amount due on the debentures issued by the Board and outstanding at any time, shall not exceed the aggregate of the amounts due on the Gehan or mortgages or hypothecation and other assets and Government guarantee referred to in sub-section (2) and the amounts paid thereunder and remaining in the hands of the Board or of the Trustee at such time.

4. Power To Borrow Money By Issue Of Bonds Or By Way Of Loans :-

(1) Notwithstanding anything contained in the Kerala Co-operative Societies Act, 1969 (21 of 1969), the Board may, with the prior approval of the Government and subject to the regulations made under this Act, borrow money by issue of bonds:

Provided that the issue of the bonds shall be in conformity with

such directions or instructions as may be issued by the Reserve Bank of India or the ["National Bank for Agricultural and Rural Development"] from time to time.

(2) The bonds shall be in the form of promissory notes and shall be repayable on the expiry of such period or periods from the date of issue thereof as may be approved by the Reserve Bank of India or the [National Bank for Agriculturel and Rural Development:]

Provided that the Board may repay the amount due under the bonds at any time before the period or periods so fixed, after issuing a notice in such manner as the Board may direct in that behalf to the holders of the bonds.

(3) Notwithstanding anything contained in the Kerala Co-operative Societies Act, 1969 (21 of 1969), the Board may borrow money by way of loans from the Government, the [National Bank for Agriculturel and Rural Development,] the Reserve Bank of India or such other financial institutions as may be approved by the Trustee.

5. Appointment And Powers And Functions Of Trustee :-

(1) The Registrar or where the Government appoint any other person in this behalf, such person, shall be the Trustee for the purpose of fulfilling the obligations of the [Agricultural and Rural Development Bank] to the holders of debentures issued by the Board and for the purposes of section 13.

(2) The Gehan created and mortgages and hypothecation executed in favour of the [Agricultural and Rural Development Bank] and other Gehan, mortgages, hypothecation and assets transferred or deemed to have been transferred under the provisions of section 13 to the [Agricultural and Rural Development Bank] shall vest in the Trustee from the date of such creation, execution or transfer.

(3) The holders of the debentures shall have a floating charge on all such Gehan, mortgages, hypothecation and assets, on the amounts paid under such Gehan, mortgages, hypothecation and remaining in the hands of the Board or of the Trustee and on the other properties of the [Agricultural and Rural Development Bank.]

(4) The powers and functions of the Trustee shall be governed by the instrument of trust executed by the [Agricultural and Rural Development Bank] and the Trustee, as modified from time to time by mutual agreement between the Board and the Trustee.

(5) The Trustee shall be a corporation sole by the name of the Trustee for the debentures and as such shall have perpetual

succession and a common seal and in his corporate name shall sue and be sued.

6. Guarantee By Government On Principal Of And Interest On Debentures, Bonds And Loans :-

The principal of, and the interest on, the debentures issued under section 3 or bonds issued or loans raised under section 4, to such maximum amount as may be fixed by the Government from time to time and subject to such conditions as they may deem fit to impose, shall, carry the guarantee of the Government.

7. Power Of Board To Make Regulations For Purposes Of This Chapter :-

The Board may, subject to the approval of the Trustee, make regulations not inconsistent with the provisions of this Chapter-

- (a) for fixing the period of debentures and the rate of interest payable thereof;
- (b) for calling in debentures after giving notice to debenture holders;
- (c) for the issue of new debentures in place of debentures damaged or destroyed;
- (d) for converting one class of debentures into another class of debentures bearing a different rate of interest; and
- (e) generally; for carrying out the provisions of this Chapter.

CHAPTER 3 LOANS

8. Powers Of [Agricultural And Rural Development Banks] To Advance Loans :-

Subject to the provisions of this Act and the rules made thereunder, it shall be competent for the [Agricultural and Rural Development Bank] and the primary banks to advance loans for the following purposes, namely:-

- (a) land improvement and productive purposes;

Explanation.- Land improvement and productive purposes, mean any work, construction or activity which adds to the productivity of the land and, in particular, includes the following, that is to say,

- (i) construction and repair of wells (surface wells, dug-cum-bore wells, tube wells and filter points), tanks and other works for the exploitation of surface and ground water and storage, supply or

distribution of water for the purposes of agriculture, or for the use of cattle employed in agriculture and all types of irrigation

(ii) renewal or reconstruction of any of the foregoing works, or alterations therein, or additions there

(iii) preparation of land for irrigation;

(iv) drainage, reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes or waste land which is cultivable.

(v) bunding, leveling, terracing and similar improvements;

(vi) reclamation, clearance and enclosure or permanent improvement of land for agricultural purpose;

(vii) horticulture and plantations including forest plantations;

(viii) purchase of oil engines, pumping sets and electric motors for any of the purposes mentioned herein;

(ix) purchase of tractors and other agricultural machinery;

(x) purchase of draught animals and bullock carts and other carts;

(xi) increase of the productive capacity of land by addition to it of special variety of soil;

(xii) construction or repair of permanent farm houses, cattle sheds and sheds for processing of agricultural produce at any stage;

(xiii) construction of stone-fence, barbed wire fence or any other kind of fence for protection of land including earthen wall;

(xiv) purchase of land for consolidation of holdings;

(xv) such other purposes as the Government may specify, from time to time, as land improvement and productive purposes for the purposes of this Chapter, by a special or general order;

(b) development of dairy, poultry, piggery, sheep, goat and other livestock and inland and marine fisheries;

(c) procurement of fishery requisites like fishing boats, mechanized or non-mechanised, fishing nets, twine, ropes, and marine paint;

(d) production of animal and poultry feed;

(e) procurement and installation of equipments and machinery for processing, marketing and transportation of all agricultural products including products of animal origin like milk, meat, fish, eggs and manure and construction of buildings for any such purpose;

(f) installation of gohar gas plants;

(g) redemption of prior debts;

(h) payment of purchase price by tenants for purchase of the right, title and interest of landlords under the Kerala Land Reforms Act, 1963 (1 of 1964), or compensation or other amount payable for the purchase of rights of landlords under any law for the time being in force;

[(h A) financing individual artisans, craftsmen, handicraftsmen and small entrepreneurs who are engaged in or propose to undertake any industrial or other activities in connection with the handicrafts or other crafts.

(h B) (i) construction of new houses

(ii) repairs to existing houses

(iii) purchase of ready built houses together with land

(iv) purchase of land and construction of houses

(v) acquisition of rural dwelling house.];

(i) any other purposes conducive to [agricultural or rural development] as decided by the Board with the approval of the Registrar from time to time.

9. Security For Loans :-

(1) Subject to the provisions of this Act the [Agricultural and Rural Development Bank] and the primary banks may advance loans to individuals and institutions on the security of lands and other fixed assets or of assets acquired by the loans borrowed which have been hypothecated to the [Agricultural and Rural Development Bank] or the primary bank, as the case may be, on the basis of principles of valuation approved by the Registrar:

Provided that the [Agricultural and Rural Development Bank] and the primary banks may, for such purposes and for such periods as may be specified by the Government by special or general order, advance loans without such security of land but on the specific guarantee of the Government for the repayment of the principal and payment of interest thereon:

Provided further that the [Agricultural and Rural Development Bank] and the primary banks may, with the previous approval of the Registrar and subject to such restrictions and limitations as may be prescribed, advance loans for such purposes and for such periods as may be determined by the Board.

(2) Notwithstanding anything contained in any other law for the time being in force, the [Agricultural and Rural Development Bank] or a primary bank may, under any land development scheme prepared and approved under the provisions of the Kerala Land Development Act, 1964 (17 of 1964), grant or advance loans to any person or a group of persons with or without security of land for carrying out the work specified in the scheme, subject to such terms and conditions as are agreed upon between the Government and the [Agricultural and Rural Development Bank] or the primary

bank, as the case may be.

(3) All loans and advances granted and all amounts payable to or recoverable by, the [Agricultural and Rural Development Bank] or the primary banks shall, in case of default of payment, in addition to other remedies available to the banks, be recoverable in the same manner as if they are arrears of public revenue due on land.

10. Charge On Movable Or Immovable Property Of Borrower For Amounts Borrowed :-

(1) Notwithstanding anything contained in the Kerala Co-operative Societies Act, 1969 (21 of 1969), or in any other law for the time being in force, but subject to any claim of the Government in respect of land revenue or amounts recoverable as land revenue, whether prior in time or subsequent, any person owning any land or having interest in any land as tenant or occupier or owning any other movable or immovable property who applies to a primary bank for a loan, shall make a declaration in the prescribed form creating a Gehan or mortgage or hypothecation in favour of the primary bank on the land or other movable or immovable property or interest therein or any movable property or movable assets to be acquired with the loan, specified in the declaration, for the repayment of the loan or advance granted or to be granted to him by the primary bank, together with interest on such amount of the loan or advance and expressly reserving in favour of the primary bank a right of sale without intervention of court, in case of default

(2) A declaration under sub-section (1) may be varied or cancelled at any time by the member with the prior approval of the primary bank.

(3) No land or other movable or immovable property or any movable property or movable assets to be acquired with the loan or advance in respect of which a declaration under sub-section (1) has been made and no part thereof or of the interest in such land or movable or immovable property shall, without the consent of the primary bank, be sold or otherwise transferred until the entire amount of the loan or advance taken by the member from the primary bank, together with interest thereon has been paid to the bank, and any transaction made in contravention of this sub-section shall be null and void.

[(4) Notwithstanding anything contained in the Registration Act, 1908 (Central Act 16 of 1908), or in any other law for the time being in force, it shall not be necessary to register any Gehan or

mortgage or hypothecation created or executed in favour of the Agricultural and Rural Development Bank or a primary banks and the release deeds thereof executed by the said banks, provided the Agricultural and Rural Development Bank or the primary bank, as the case may be, sends, within such time and in such manner as may be prescribed, a copy of the declaration or instrument whereby the Gehan or mortgage or hypothecation has been created or executed for the purpose of securing repayment of the loan or, as the case may be, the release deed thereof, to the registering officer within the local limit of whose jurisdiction the whole or any part of the property to which the Gehan or mortgage or hypothecation; or , as the case may be, the release, relates is situated.

(5) On receipt of the copy of the declaration or instrument or the release deed sent under sub-section (4), the registering officer shall file a copy or copies thereof, as the case may be, in Book No.1, referred to in section 51 of the Registration Act, 1908 (Central Act 16 of 1908), and thereupon such Gehan or mortgage or hypothecation or release deed shall be deemed, as the case may be, to create an interest or to extinguish the interest created, in the property to which the declaration, instrument or release deed relates and shall constitute notice thereof to any one dealing with the said property.]

(6) Any person who makes any false statement in a declaration under sub-section (1) shall be punishable with imprisonment for a term which may extend to six months, or with fine may extend to two thousand rupees, or with both.

11. Applicant For Loan From Primary Bank To Furnish Declaration :-

(1) Every person who applies for a loan from a primary bank shall make a declaration in the prescribed form before an officer specified by the Registrar; in this behalf that the movable or immovable property; on which the Gehan or mortgage or hypothecation is created as security for the loan is free from encumbrances, that he is in actual possession thereof and that he has the right to create the Gehan or mortgage or hypothecation, as the case may be, thereon in favour of the primary bank.

(2) Notwithstanding anything contained in any law for the time being in force, where a declaration under sub-section (1) in respect of any movable or immovable property is false or defective, the primary bank shall, subject to the provisions of section 13, have a

first charge on all other movable and immovable properties of the applicant, and all such properties shall be deemed to have been included in the Gehan created or mortgage or hypothecation executed by the applicant as security for the loan granted to him by the primary bank.

(3) Any person, who makes a false declaration under sub-section (1) or make any statement which is false in any such declaration shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees, or with both.

(4) The amount of loan that may be sanctioned on the basis of a declaration made under sub-section (1) shall be subject to such limit as may be prescribed.

12. Priority Of Gehan, Mortgage And Hypothecation

:-

(1) Any amount payable under a Gehan created or mortgage or hypothecation executed in favour of the ;[Agricultural and Rural Development Bank] or primary bank shall have priority over any claim of the Government arising from a loan under the Kerala Land Development Act, 1964 (17 of 1964), or the Kerala; Agriculturists Loans Act, 1961 (27 of 1961), granted after the creation of the Gehan or the execution of the mortgage or hypothecation.

(2) Notwithstanding anything contained in any law for the time being in force, a Gehan created or mortgage or hypothecation executed in favour of the ;[Agricultural and Rural Development Bank] or a primary bank shall take precedence over any attachment or equitable mortgage over the properties, where, after publication of a notice in the prescribed form, the claim or interest under such attachment or equitable mortgage has not been notified to such bank within the time prescribed in the said notice.

13. Transfer And Vesting Gehan, Mortgage And Hypothecation With ;[Agricultural And Rural Development Bank] :-

A Gehan created or mortgage or hypothecation executed or deemed to have been created or executed in favour of, and all other assets transferred or deemed to have been transferred to, a primary bank, shall, with effect from such creation, execution or transfer or with effect from the date of such deeming, as the case may be, be deemed to have been transferred by such primary bank

to the [Agricultural and Rural Development Bank].

14. Money Borrowed For Development Of Land :-

Where a primary bank has granted a loan for improvement of any land situated in any area or areas covered by any specific programme of agricultural development, to a person appearing to the primary bank to have title to the said land or to be in lawful possession thereof, and the money has been either in whole or in part utilized for such improvement, any person acquiring title to such land on ground of superior title or on any other ground shall be liable to repay to the primary bank so much of the loan as has been utilized for the improvement of the land together with interest thereon.

15. Loans To Persons Having Restricted Rights Of Transfer :-

(1) Notwithstanding anything contained in any law, custom or usage, where a primary bank makes a loan or an advance to a member belonging to a Scheduled Caste or Scheduled Tribe or to any other person having restricted rights of alienation over immovable property, it shall be competent to such member or person to create a Gehan or mortgage or hypothecation on such property in favour of such primary bank as security for such loan.

(2) The primary bank, shall, in the event of default by the member or person and without prejudice to any other remedy available to it either under law or contract or otherwise, be entitled to take possession of such property and lease the same to any person belonging to the same caste or tribe as the member belongs in case the defaulter is a member of a Scheduled Caste or Scheduled Tribe and in any other case to any person and appropriate the net receipts from the lease in repayment of the moneys due to it; and the member or person shall not be entitled to recover possession of such property until the amount due to the primary bank has been repaid in full.

CHAPTER 4

DISTRAINT AND SALE OF PRODUCE

16. Distraint When To Be Made :-

(1) If any instalment payable under a Gehan created or mortgage or hypothecation executed in favour of the [Agricultural and Rural

Development Bank] or a primary bank or any part of such instalment has remained unpaid for more than one month from the date on which it fell due, the Board or the committee may, in addition to any other remedy available to it, apply to the Registrar or to any sale officer appointed by the Registrar under section 28 for the recovery of such instalment or part thereof by distraint and sale of the produce of the land ["raw materials, work in process or finished goods"] to which the Gehan or the mortgage or hypothecation relates, including the standing crops thereon and other movable property of the defaulter.

(2) On receipt of an application under sub-section (1), the sale officer may, notwithstanding anything contained in the Kerala Co-operative Societies Act, 1969 (21 of 1969), take such action as is necessary to distraint and sell the produce and other movable property:

Provided that no distraint shall be made after the expiry of the thirty-six months from the date on which the instalment fell due.

(3) The distraint shall not be excessive and the value of the property distrained shall be, as nearly as possible, equal to the amount due and the expenses of the distraint and the costs of the sale.

17. Distraint How To Be Effected :-

(1) Before or at the time when a distraint is made under section 16, the distrainer shall serve or cause to be served upon the defaulter a written demand specifying the amount for which the distraint is made.

(2) The demand shall be dated and signed by the distrainer and shall be served upon the defaulter by delivering a copy to him or to some adult male member of his family at his usual place of abode or to his authorised agent, or when such service cannot be effected by affixing a copy of the demand on some conspicuous part of his abode and of the land to which the Gehan or mortgage or hypothecation relates.

18. Sale Of Property Distrained :-

(1) If, within fifteen days from the date of service of the demand referred to in section 17, the defaulter does not pay the amount for which the distraint was effected, the distrainer may sell in auction the distrained property or such part thereof as may, in his opinion, be necessary to satisfy the demand together with the expenses of

the distraint and the costs of the sale.

(2) From the proceeds of such sale, a deduction shall be made at such rate as may be fixed by the Registrar from time to time on account of the costs of the sale.

(3) From the balance shall be deducted the expenses incurred by the distriener on account of the distraint.

(4) The remainder, if any, shall be applied to the discharge of the amount for which the distraint was made.

(5) The surplus, if any, shall be delivered to the person whose property has been sold and he shall be given a receipt for the amount discharged from the proceeds of the sale.

CHAPTER 5

SALE OF PROPERTY WITHOUT INTERVENTION OF COURT

19. Power Of Sale Of Property Charged Without Intervention Of Court :-

(1) Notwithstanding anything contained in the Kerala; Co-operative Societies Act 1969 (21 of 1969), or the Transfer of Property Act, 1882 (Central Act 4 of, 1882) or in any other law for the time being in force, where a Gehan or mortgage or hypothecation has been created or executed in movable or immovable property in accordance with the provisions of sub-section (1) of section 10 in favour of the; [Agricultural and Rural Development Bank] or a primary Bank, the Board or committee of such bank or any person authorized by the Board or such committee, shall, in case of default in the payment of sums due to the bank, have power, in addition to any other remedy available to the primary bank to bring to sale the property to which the Gehan or mortgage or hypothecation relates without intervention of the court.

(2) No such power shall be exercised unless and until –

(a) the Board or the committee has previously authorized such sale in; the exercise of the power of sale conferred on it by sub-section (1) ;

(b) registered notice requiring payment of sums due to the primary bank, or any part thereof, has been served upon –

(i) the person creating or executing the Gehan or mortgage or hypothecation;

(ii) any person who has any interest or charge upon the property to which the Gehan or mortgage or hypothecation relates or any other right to redeem the same;

(iii) any surety for the payment of the sums due to the primary

bank or any part thereof and

(iv) any creditor of the person creating or executing the Gehan or mortgage, who has, in a suit for the administration of his estate, obtained a decree for sale of the property to which the Gehan or mortgage or hypothecation relates; and;

(c) there has been default in payment of such sums due to the primary bank for a period of two months after service of the notice referred to in clause (b):

Provided that the obligation to give such notice to the persons mentioned in sub-clauses (ii) and (iv) shall be confined to cases where the Board or the committee has notice of such claims.

20. Application For Sale And Manner Of Sale :-

(1) For exercising the power of sale conferred by sub-section (1) of section 19, the Board or the Committee or any person duly authorised by the Board or the Committee, as the case may be, may apply to the sale officer appointed in that behalf under section 28 to sell the property to which the Gehan or mortgage or hypothecation relates or any part thereof, and such officer shall, after giving notice as required by section 19, sell such property in the manner prescribed.

(2) The sale shall be by public auction and shall be held in the village where the property to which the Gehan or mortgage or hypothecation relates is situate or at the nearest public place if the sale officer is of opinion that the property is likely to sell to better advantage at such place.

21. Application To Set Aside Sale On Deposit And Confirmation Of Sale In Default Or On Dismissal Of Such Application :-

(1) When; a property has been sold under this Chapter, any person having a right or interest therein affected by the sale may, at any time within thirty days from the date of the sale, apply to the sale officer concerned to have the sale set aside on his depositing with the sale officer-

(a) for payment to the [Agricultural and Rural Development Bank] or the primary bank, as the case may be, the amount specified in the proclamation of sale together with subsequent interest and the costs, if any, incurred by the ;bank in bringing the property to sale; and

(b) for payment to the purchaser a sum equal to five per cent of

the purchase money.

(2) If such deposit is made, the sale officer may make an order setting aside the sale.

(3) Where no application with deposit is made under sub-section (1) or where such application is made and disallowed, the sale officer may apply to the Registrar or any other office empowered by him in this regard to make an order confirming the sale and, on the Registrar or such officer confirming the sale, it shall become absolute and the property shall be deemed to have vested in the purchaser from the time the property is sold.

22. Distribution Of Sale Proceeds :-

(1) The proceeds of every sale under this Chapter shall be applied by the sale officer first in payment of all costs, charges and expenses properly incurred by him as incidental to the sale or any attempted sale; secondly, in payment of all interest due on account of the Gehan or mortgage or hypothecation in consequence whereof the property was sold ; thirdly, in payment of the principal money due on account of the Gehan or mortgage, or hypothecation; and lastly, the residue, if any, shall be paid to the person proving himself interested in the property sold or, if there are more such persons than one, then to such persons, according to their respective interest therein or upon their joint receipt.

(2) Any person dissatisfied with the decision of the sale officer in regard to the distribution of such residue may, within thirty days of the communication to him of such decision, institute a suit in a court to establish the right he claims

(3) The sale officer shall not distribute such residue until thirty days have elapsed from the date of communication of his decision to all the persons concerned, or, if a suit has been instituted within the said period of thirty days by any such person and due notice thereof is given to him before the payment, until the suit is disposed of or otherwise than in accordance with the decision of the court thereon.

(4) Any deficit occurring after the sale of the property may also be recovered in the manner provided in this Chapter from any other assets of the person who created the Gehan or executed the mortgage or hypothecation.

Explanation.- In this section, "court" means the Civil court having jurisdiction to entertain a suit to enforce the Gehan or mortgage or hypothecation and within the limits, of whose jurisdiction the

property sold is situate.

23. Certificate To Purchaser :-

Where a sale of property has become absolute and the sale proceeds have been received in full by the sale officer, he shall grant a certificate to the purchaser in the prescribed form specifying the property sold, the sale price, the date of the sale, the name of the person who at the time of the sale is declared to be the purchaser, and the date on which the sale became absolute, and upon the production of such certificate the Sub Registrar within whose jurisdiction the whole or any part of the property specified in the certificate is situate, shall enter the contents of such certificate in his register relating to immovable property.

24. Delivery Of Property To Purchaser :-

(1) Where the property sold is in the occupancy of the person who created the Gehan or executed the mortgage or hypothecation, as the case may be or of some person on his behalf or of some person claiming under a title, other than a lease, created by the person who created the Gehan or executed the mortgage or hypothecation subsequent to the Gehan or mortgage or hypothecation in favour of the [Agricultural and Rural Development Bank] or the primary bank, as the case may be, and a certificate in respect thereof has been granted under section 23, the Registrar shall, on the application of the purchaser, order delivery to be made by putting such purchaser or any person appointed by the purchaser to receive delivery on his behalf, in possession of the property.

(2) Where the property sold is in the occupancy of a tenant or other person entitled to occupy the same and a certificate in respect thereof has been granted under section 23, the Registrar shall, on the application of the purchaser and after giving notice to such tenant or other person, order, delivery to be made by affixing a copy of the certificate of sale in some conspicuous place on the property and proclaiming to the occupant by beat of drum or other customary mode at some convenient place that the interest of the person who created the Gehan or executed the mortgage or hypothecation has been transferred to the purchaser.

(3) The provisions of rules 97 to 103 of Order XXI of the First Schedule to the Code of Civil Procedure, 1908 (Central Act 5 of 1908), shall mutatis mutandis, apply to the cases dealt with in sub-sections (1) and (2).

25. Right Of [Agricultural And Rural Development Bank] Or Primary Bank To Purchase Property At Sale :-

It shall be competent to the [Agricultural and Rural Development Bank] or a primary bank to purchase any property sold under this Chapter, but the property so purchased shall be disposed of by such bank by sale within such period as may be fixed by the Trustee.

26. Appointment Of Receiver And His Powers :-

(1) The Board may, on its own motion or on the application of any branch of the [Agricultural and Rural Development Bank] or the committee of a primary bank under circumstances in which the power of sale conferred by section 19 may be exercised, appoint in writing a receiver of the produce and income of the property or any part thereof and such receiver shall be entitled either to take possession of the property or collect its produce and income, as the case may be, to retain out of any money realized by him, his expense of management including his remuneration, if any, as may be fixed by the Board and to apply the balance in accordance with the provisions of sub-section (8) of section 69A of the Transfer of Property Act, 1882 (Central Act 4 of 1882).

(2) A receiver appointed under sub-section (1) may, for sufficient cause and on application made by the person who created the Gehan or executed the mortgage or hypothecation, as the case may be, be removed by the Board.

(3) A vacancy in the office of; the receiver may be filled up by the Board.

(4) Nothing in this section shall empower the Board to appoint a receiver where the property to which the Gehan or mortgage or hypothecation relates is already in the possession of a receiver appointed by a civil court; but the Board or the committee, as the case may be, may through the Managing Director in the case of the [Agricultural and Rural Development Bank] or the Secretary in the case of a primary bank, petition to such court to direct the receiver appointed by such court to apply any part or the whole of the surplus remaining in his hands after meeting the expenses of his management, to the discharge of the amount due under the Gehan or the mortgage or hypothecation or part thereof, as the case may be.

27. Title Of Purchaser Not To Be Impeached On The Ground

Of Irregularity Etc :-

When a sale has been made in the professed exercise of the power of sale under section 19 and has been confirmed under sub-section (3) of section 21, the title of the purchaser shall not be impeachable on the ground that no cause had arisen to authorise the sale or that due notice was not given or that the power was otherwise improperly or irregularly exercised, but any person damnified by an unauthorised or improper or irregular exercise of the power shall have his remedy in damages against the [Agricultural and Rural Development Bank] or the concerned primary bank, as the case may be.

28. Appointment Of Sale Officer :-

The Registrar may appoint sale officers for the purpose of conducting sales under this Act.

CHAPTER 6

MISCELLANEOUS

29. Powers Of [Agricultural And Rural Development Bank] In Case Security Property Is Insufficient :-

Where any property which is subject to a Gehan or mortgage or hypothecation in favour of the [Agricultural and Rural Development Bank] or a primary bank is rendered insufficient and the person who created the Gehan or executed the mortgage or hypothecation, having been given a reasonable opportunity, by the Board or the committee of the primary bank, of providing further security enough to render the whole security sufficient or of repaying such portion of the loan as may be determined by the Board or the committee, has failed to provide such security or to repay such portion of the loan, the whole of the loan shall be deemed to fall due at once and the Board or the committee, as the case may be, shall be entitled to take action against the person who created the Gehan or executed the mortgage or hypothecation under section 16 or section 19 for the recovery thereof.

Explanation.- A security is insufficient within the meaning of this section if the value of the property falls below the amount for the time being due to the [Agricultural and Rural Development Bank] or the primary bank by such proportion as may be specified in the regulations of the [Agricultural and Rural Development Bank] or the bye-laws of the primary bank, as the case may be. ;

30. Power Of Board Or Trustee To Direct Distraint And Sale Of Produce And Sale Of Mortgaged Property Etc :-

(1) The Board or the Trustee may direct the committee of a primary bank to take action against a defaulter under section 16 or section 19 or section 29 and if the committee neglects or fails to do so the Board or the Trustee may take such action.

(2) Where action is taken by the Board under sub-section (1), the provisions of this Act and of any rules or regulations made thereunder shall apply in respect thereto as if all references to the primary bank and to its committee in the said provisions were references to the [Agricultural and Rural Development Bank] and the Board, respectively.

(3) Where action is taken by the Trustee under sub-section (1), the provisions of this Act and of any rules or regulations made thereunder shall apply in respect thereto as if all references to the primary bank or to its committee in the said provisions were references to the Trustee.

31. Banks Right To Improvements Effected After Gehan Or Mortgage Or Hypothecation :-

Notwithstanding anything contained in; the Kerala; Compensation for Tenants Improvements Act, 1958 (29 of 1958), the improvements, if any, made subsequent to the date of the Gehan or mortgage or hypothecation in favour of the; [Agricultural and Rural Development Bank] or a primary bank, by the lessee of the property to which the Gehan or mortgage or hypothecation relates, shall be treated as accession to the property and shall be available to such bank for the realization of the amount under the Gehan or mortgage or hypothecation.

32. Deduction From Sale Proceeds Of Agricultural Produce In Certain Cases :-

(1) Notwithstanding anything contained in any law for the time being in force, an applicant for a loan from a primary bank may execute an agreement in favour of that bank providing that it shall be lawful for the marketing co-operative societies or the Commodity Boards through which the agricultural produce belonging to the applicant is marketed, to deduct such amount as may be specified in the agreement from the sale proceeds of such agricultural produce marketed through such co-operative societies or boards

and to pay the amounts so deducted to such primary bank in satisfaction of any debt or other demand due by the applicant to that bank.

Explanation.-For the purposes of this section, "Commodity Boards" means the Coffee Board established under the Coffee Act, 1942 (Central Act 7 of 1942), the Tea Board established under the Tea Act, 1953 (Central Act 29 of 1953), the Rubber Board constituted under the Rubber Act, 1947 (Central Act 24 of 1947), the Cardamom Board established under the Cardamom Act, 1965 (Central Act 42 of 1965), and the Coconut Development Board established under the Coconut Development Board Act, 1979 (Central Act 5 of 1979).

(2) On execution of an agreement as provided in sub-section (1), the marketing co-operative society or Commodity Board referred to in that sub-section shall, on a requisition in writing by the primary bank and so long as such debt or demand or any part of it remains unpaid, make a deduction, in accordance with the requisition, from the sale proceeds of the agricultural produce belonging to the applicant and marketed through them and pay the amounts so deducted to the primary bank within seven days from the date of deduction.

(3) Any payment made by a marketing co-operative society or Commodity Board under sub-section (2) shall be valid and effectual against any demand upon such society or board by any person.

33. Gehan Or Mortgage Or Hypothecation Not To Be Questioned In Insolvency Proceedings :-

Notwithstanding anything contained in the Insolvency Act, 1955 (2 of 1956), a Gehan created or mortgage or hypothecation executed in favour of the; ;[Agricultural and Rural Development Bank] or a primary bank, shall not be called in question on the ground that it was not created or executed in good faith for valuable consideration or on the ground that it was created or executed in order to give such bank a preference over the other creditors of the person who created the Gehan or executed the mortgage or hypothecation.

34. Right Of [Agricultural And Rural Development Bank] To Pay Prior Debts :-

Where a Gehan is created or mortgage or hypothecation is executed in favour of the; [Agricultural and Rural Development Bank] or a primary bank for payment of prior debts of the person

who created the Gehan or executed the mortgage or hypothecation, such bank may, notwithstanding the provisions of sections 83 and 84 of the Transfer of Property Act, 1882, (Central Act 4 of 1882), by notice in writing, require any person to whom any such debt is due, to receive payment of such debt or part thereof from the bank at its registered office within such period as may be specified in the notice, and if any such person fails to receive such notice or such payment, such debt or part thereof, as the case may be, shall cease to carry interest from the expiration of the period specified in the notice, except in cases where such person proves to the satisfaction of the Board or the committee of the primary bank, as the case may be, that the failure to receive notice or payment was due to causes beyond his control:

Provided that where there is a dispute as regards the amount of any such debt, the person to whom such debt is due shall be bound to receive payment of the amount offered by the bank towards the debt, but such receipt shall not prejudice the right, if any, of such person to recover the balance claimed by him.

35. Power To Summon Witnesses And Requisition Of Documents :-

(1) Subject to such restrictions, limitations and conditions as may be prescribed, the Registrar and officers subordinate to the Registrar who are authorized by him in this behalf by general or special order in writing, and such other officials engaged in the relief of rural indebtedness or officers of co-operative banks which are registered or deemed to be registered under the Kerala; Co-operative Societies Act, 1969 (21 of 1969), as the Government may, by notification in the Gazette, authorise in this behalf shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (Central Act 5 of 1908), when trying a suit, in respect of the following matters, namely:-

- (a) enforcing the attendance of any person and examining him on oath; or affirmation;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses.

(2) Any of the officers authorised by or under sub-section (1) may require any person present before him to furnish any information or to produce any document then and there in his possession or power, and relevant to the inquiry.

(3) Any officer before whom any document is produced under sub-

section (1) or sub-section (2) shall have power to take, or to authorise the taking of; such copies of the document or of any entries therein as such officer may consider necessary and the copies so taken shall, when certified in such manner as may be prescribed, be admissible in evidence for any purpose in the same manner and to the same extent as the original document or the entries therein, as the case may be.

(4) Any person who wilfully or without reasonable excuse disobeys any summons, requisition or order issued under sub-section (1) or sub-section (2) shall be punishable with fine which may extend to fifty rupees and in the case of a continuing disobedience with an additional fine which may extend to five rupees for every day during which such disobedience continues after conviction for the last such disobedience.

36. Registration Of Documents Executed On Behalf Of The [Agricultural And Rural Development Bank] Or Primary Bank :-

(1) Notwithstanding anything contained in the Registration Act, 1908 (Central Act 16 of 1908), it shall not be necessary for any Director, Managing Director, Secretary or other officer of the [Agricultural and Rural Development Bank] or of a primary bank to appear in person or by agent at any registration office in any proceedings connected with the registration of any instrument executed by him in his official capacity or to sign as provided in section 58 of that Act.

(2) Where any instrument is so executed, the registering officer who receives such instrument for registration may, if he thinks fit refer to such Director, Managing Director, Secretary or other officer for information respecting the same, and, on being satisfied of the execution thereof, shall register the instrument.

37. Power Of Primary Bank To Receive Money And Grant Valid Discharges :-

Notwithstanding that a Gehan created or mortgage or hypothecation executed in favour of a primary bank has been transferred, or is deemed under the provisions of section 13, to; have been transferred, to the [Agricultural and Rural Development Bank]-

(a) all moneys due under the Gehan or mortgages or hypothecation shall, in the absence of any specific direction to the contrary issued

by the Board or the Trustee and communicated to the person who created the Gehan or executed the mortgage or hypothecation, be payable to the primary bank and such payment shall be as valid as if the Gehan or mortgage or hypothecation had not been so transferred; and

(b) the primary bank shall, in the absence of any specific direction to the contrary issued by the Board or the Trustee and communicated to the primary bank, be entitled to sue on the Gehan or mortgage; or hypothecation or take any other proceedings for the recovery of the moneys due under the Gehan or mortgage, or hypothecation.

38. Proof Of Documents Or Entries In Documents :-

The [Agricultural and Rural Development Bank] or any primary bank may grant copies of any document obtained and kept by it in the course of its business or of any entries in such documents; and any copy so granted shall, when certified in such manner as may be prescribed, be admissible in evidence for any purpose in the same manner and to the same extent as, the original document or the entries therein, as the case may be.

39. Chapter Iv And V To Apply To Loans Advanced By Primary Banks From Funds Got Borrowed From [Agricultural And Rural Development Bank] :-

The provisions of Chapters IV and V shall apply also to loans advanced by primary banks from funds which have not been borrowed from the [Agricultural and Rural Development Bank] and to loans taken over by the Kerala Co-operative Central Land Mortgage Bank from the Travancore Credit Bank.

40. Service Of Notices Under The Act :-

Whenever under the provisions of this Act, notice is required to be given to any person in writing, it shall be sufficient to send such notice by registered post.

41. Sections 102, 103 And Rules Under Section 104 Of The Transfer Of Property Act, 1882 To Apply To Notices Under The Act :-

The provisions of sections 102 and 103 of the Transfer of Property Act, 1882 (Central Act 4 of 1882), and of any rules made by the

High Court under section 104 of that Act, for carrying out the purposes of the said sections, shall apply, so far as may be, in respect of all notices to be served under this Act.

42. Officers Of Bank Not To Bid At Sales :-

At any sale of movable or immovable property held under the provisions of this Act for the recovery of any money due to the [Agricultural and Rural Development Bank] or any primary bank, no Director, Managing Director, Secretary or other officer of the [Agricultural and Rural Development Bank] or such primary bank, as the case may be (except on behalf of the bank of which he is a Director, Managing Director, Secretary or other officer), and no sale officer or other person having any duty to perform in connection with such sale, shall, either directly or indirectly, bid for or acquire or attempt to acquire any interest in such property.

43. Delegation Of Powers By Board :-

The Board may, if it thinks fit, delegate all or any of its powers under sections 19, 20 and 26 to any executive committee constituted by it and consisting of two or more of its members.

44. Starting Of Branch Banks :-

The Board may, from time to time, with; the previous sanction of the Registrar, start branches or regional offices of the [Agricultural and Rural Development Bank] at such convenient centers as it thinks fit and carry on operations through them.

45. Power Of Board To Admit Members :-

(1) The Board may admit any primary bank or the Government as a member of the [Agricultural and Rural Development Bank] on application made in that behalf to that bank.

(2) The Board may also admit any Company or Corporation or any body of persons, whether incorporated or not and whether or not established by or under any law, or a co-operative society as a nominal or associate member of the [Agricultural and Rural Development Bank] on application made in that behalf to that bank:

Provided that the previous approval of the Government shall be obtained for the admission of any company or corporation or body of persons.

Explanation.- In this section "nominal or associate member" means a member who possesses only such privileges and rights of a member and who is subject only to such liabilities of a member as may be specified in the regulations made by the Board.

46. Primary Agricultural Credit Societies To Be Admitted As Members Of Primary Banks In Certain Cases :-

(1) Notwithstanding anything contained in this Act or in any rule made thereunder or in any other law for the time being in force, the Government may, in consultation with the [Agricultural and Rural Development Bank,] by general or special order in writing empower any primary agricultural credit society registered or deemed to be registered under the Kerala; Co-operative Societies Act, 1969 (21 of 1969), to perform all or any of the functions of a primary bank under this Act.

(2) A primary agricultural credit society empowered under subsection (1) shall, in respect of the functions so conferred on it, be deemed to be a primary bank under this Act provided that no such society shall have the right to be a member of the ;[Agricultural and Rural Development Bank.]

(3) A primary agricultural credit society empowered under subsection (1) shall be made a member of the primary bank within whose jurisdiction the primary agricultural credit society is functioning, and shall be given representation in the committee of such primary bank, in the manner prescribed.

47. Transfer Of Assets And Liabilities Of The Kerala Co-operative Central Land Mortgage Bank And Primary Land Mortgage Banks :-

(1) Notwithstanding anything contained in any law for the time being in force, or in any contract, on and from the commencement of this Act, the entire assets and liabilities, rights, title, interest and obligations of the Kerala Co-operative Central Land Mortgage Bank and primary land mortgage banks shall stand transferred to and vested in the [Agricultural and Rural Development Bank] and its primary banks, as the case may be, and thereupon the ; [Agricultural and Rural Development Bank,] and its primary banks may enforce the mortgages vested in them as if the properties mortgaged to the Kerala; Co-operative Central Land Mortgage bank and its primary banks were mortgaged to the [Agricultural and Rural Development bank] and its primary banks.

(2) The shareholders, debenture-holders and depositors of the Kerala Co-operative central Land Mortgage Bank and the primary land mortgage banks shall be deemed to be the shareholders, debenture holders and depositors respectively of the ;[Agricultural; and Rural Development Bank] and its primary banks, as the case may be, from the date of commencement of this Act and they shall enjoy all the rights and privileges of the shareholders, debenture holders and depositors of the [Agricultural and Rural Development Bank] and its primary banks.;

(3) All contracts, deeds, bonds, agreements and other instruments of whatever nature subsisting or having effect on the date of commencement of this Act and to which the Kerala Co-operative Central Land Mortgage Bank or any primary land mortgage bank is a party shall from such date be of full force and effect against or infavour of the [Agricultural and Rural Development Bank] or the corresponding primary bank, as the case may be, and may be enforced as fully and effectually by the ;[Agricultural and rural Development Bank] and the primary bank.

48. Power Of Board To Make Regulations :-

Notwithstanding anything contained in the Kerala; Co-operative Societies Act, 1969 (21 of 1969), or the rules made thereunder, the Board shall have general power of supervision over the primary banks and may, with the approval of the Trustee, make regulations not inconsistent with this Act or the rules made thereunder –

(a) for the inspection of the account books and proceedings of primary banks;

(b) for the submission of returns and reports by primary banks in respect of their transactions;

(c) for the periodical settlement of accounts between primary banks and the [Agricultural and Rural Development Bank] for the payment of the amounts recovered by primary banks on Gehan or mortgage or hypothecation transferred, or deemed, under the provisions of section 13 to have been transferred, to the; [Agricultural and Rural Development Bank;]

(d) prescribing the form in which application to primary banks for loans should be made and for the valuation of the properties offered as security for such loans;

(e) for the investment of moneys realized from Gehan or mortgage or hypothecation; and

(f) generally for the purpose of safeguarding the interests of the

parties concerned and for carrying out the purposes of this Act.

49. Cognisance Of Offences :-

(1) No Court shall take cognizance of any offence under this Act except with the previous sanction in writing of the Registrar, and no Court inferior to that of a Magistrate of the First Class shall try any offence punishable under this Act.

(2) No sanction shall be given under sub-section (1) without giving the party concerned an opportunity of being heard.

50. Power To Make Rules :-

(1) The Government may, by notification in the Gazette, make rules to carry out all or any of the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for the following matters, namely:-

- (a) the form of declaration under section 10;
- (b) the form of notice under section 12;
- (c) manner of effecting distraint;
- (d) custody, preservation and sale of distrained properties;
- (e) deduction from the sale proceeds under section 32;
- (f) investigation of the claims by person other than the defaulter to any right or interest in distrained properties and for the postponement of the sale pending such investigation;
- (g) immediate sale of perishable articles;
- (h) fixing the rates of deduction on account of the cost of sale of distrained properties;
- (i) proclamation and conduct of sales;
- (j) recovery of the expenses of proclamation and sale;
- (k) deposit of the purchase money;
- (l) the re-sale of the property if the purchase money is not deposited;
- (m) the representation of primary agricultural credit; societies; and individuals in the committees of primary banks;
- (n) the registration of claims in respect of property mortgaged to the ;[Agricultural and Rural Development Bank] or a primary bank;
- (o) any other matter required or allowed by this Act to be prescribed.

(3) Every rule made under this Act shall be laid, as soon as may be after it is made, before the Legislative Assembly while it is in session, for a total period of fourteen days which may be comprised

in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following the Legislative Assembly makes any modification in the rule or decides that the rules should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

51. Certain Rights And Liabilities Of Cochin Co-Operative Land Mortgage Bank To Continue In That Bank :-

Notwithstanding anything contained in this Act, all assets, rights and liabilities of the Cochin Co-operative Land Mortgage bank Limited, subsisting at the commencement of this Act shall continue to be the assets, rights and liabilities of that bank and the provisions of the Cochin Co-operative Land Mortgage Banks Act XXV of 1111, shall apply with respect to such assets, rights and liabilities.

52. Repeal And Savings :-

(1) The Kerala Co-operative land Mortgage banks Act, 1960 (1 of 1960), is hereby repealed.

(2) Notwithstanding such repeal, all appointments, rules, orders and transactions made, notifications and notices issued, and suits and other proceedings instituted, under the Act hereby repealed shall, so far as may be, be deemed to have been respectively made, issued or instituted under this Act.

(3) The regulations made by the Board of Directors of the Kerala co-operative Central Land Mortgage Bank Limited under the Act repealed by sub-section (1) shall, in so far as they are not inconsistent with the provisions of this Act and the rules made thereunder, continue in force until altered or rescinded under this Act.

(4) The bye-laws made by any primary land mortgage bank before the commencement of this Act shall, in so far as they are not inconsistent with the provisions of this Act and the rules made thereunder, continue in force until altered or rescinded under this Act.

(5) The Board of Directors of the Kerala Co-operative Central Land Mortgage Bank Limited and the committee of every primary land mortgage bank existing immediately before the commencement of

this Act, shall, subject to the provisions of the regulations or bye-laws, as the case may be, applicable thereto, continue to function as such till the expiry of its term in accordance with such regulations or bye-laws, as the case may be.