



LAW no. 149 of 29 November 1991 (published on 12 December 1991)

Law on cooperation and cooperatives

We the Captains Regent of the Most Serene

Republic of San Marino

Hereby promulgate and order the publication of the following Law, approved by the Great and General Council during its sitting of 29 November 1991.

TITLE I

COOPERATIVES - SHARE CAPITAL - MEMBERS

CHAPTER I

COOPERATIVES

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Art. 1

Definition

A cooperative shall be a mutual limited liability company with variable share capital.

The variability of the share capital shall be achieved without any change to the articles of association, either as a result of the entry of new members or the exit of existing members following withdrawal, exclusion or death, or as a result of capital decrease due to operating losses or of decisions to increase capital.

The mutual purpose shall be achieved by providing members with goods or services or employment opportunities on more favourable conditions.

By carrying out business activities in accordance with its corporate purpose, the cooperative shall operate on the market also through third parties that are not members.

Where the activity of the cooperative is aimed solely at its members, with the exception of consumer cooperatives, the provision of goods and services shall be subject to authorisation by the Cooperation Commission, after obtaining the opinion of the Environmental Hygiene Service.

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Art. 2

Establishment

A cooperative shall be established by public deed before a notary.

The memorandum of association shall also contain the articles of association, which are an integral part thereof, under penalty of nullity. The memorandum of association shall indicate the following essential elements, under penalty of nullity:

1. The name of the cooperative, its nature as individual or consortium limited liability cooperative, its duration and its registered office;
2. Its corporate purpose and mutual purpose;
3. The surname and first name, place and date of birth, domicile and nationality of each member;
4. The amount of the share capital at the time of establishment, the number of its shares and their nominal value;
5. The number of shares subscribed by each member and their overall nominal value.

The articles of association shall contain:

1. The rules for paying the member's rights in the event of termination of the individual corporate relationship, including with regard to heirs where termination is due to death;
2. The rules governing the transfer of shares, subject to the approval of the board of directors or of the members' meeting if the administration is entrusted to a sole director;
3. The corporate bodies and their composition, the rules for the validity of their decisions, the number of directors and their powers, the composition of the board of auditors;
4. The possible establishment of the panel of arbitrators and, if so, its powers and the rules governing its activities and functions;
5. The date of closure of the annual financial year and an indication of the allocation of profits;
6. The commitment to bring the corporate activity into line with the legal system of the State and in particular with all legal and administrative regulations concerning cooperation and cooperatives.

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Art. 3

Requirements

The cooperative shall be exempt from any taxes for its establishment; the related deeds shall be drawn up on unstamped paper.

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Art. 4

Notary's obligations

The notary drawing up the memorandum of association of a cooperative shall be required to comply with the obligations concerning the drawing up of public deeds and to verify that the articles of association to be included in the memorandum of association comply with the law.

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Art. 5

Registration

Within thirty days from the date of registration of the memorandum of association, the attesting notary shall deposit a copy, authenticated by him, of the memorandum of association and of the articles of association with the Public Register of Cooperatives held by the Court Registry.

Within thirty days from said deposit, the Law Commissioner, having heard the opinion of the Cooperation Commission, by means of his own decree, shall grant legal recognition to the cooperative, register it in the public Register of Cooperatives and publish the decree in the Official Bulletin of the Republic of San Marino.

All acts modifying the articles of association shall be deposited by the attesting notary with the Public Register of Cooperatives within twenty days of their drawing up.

The deeds shall take effect upon their entry in the Register, in accordance with the second paragraph of this Article.

Cooperatives shall be registered in the public Register of Cooperatives divided up according to the following sectors:

1. Agriculture and agro-industry;
2. Production and work;
3. Consumption and distribution;
4. Credit and insurance;
5. Housing;
6. Services, tourism, recreation and leisure time;
7. Culture;
8. Cross-sectoral activities;
9. Social solidarity.

Recognised cooperatives shall be registered in a special ad hoc sector reserved for them.

Art. 6

Mandatory information

All deeds pertaining to cooperatives and the relevant correspondence shall indicate the name of the cooperative, its nature as limited liability cooperative, its registered office, the date of its legal recognition and the number of registration in the public Register of Cooperatives.

When the cooperative is placed under extraordinary administration or voluntary or compulsory winding up, the information referred to in the first paragraph shall be followed by an indication of the procedure to which it is subject.

CHAPTER II

SHARE CAPITAL

Art. 7

Minimum limit and subdivision of shares in the share capital

The share capital of cooperatives shall be made up of the members' shares.

However, the Cooperation Commission may, by its own decision, establish a minimum share capital limit for cooperatives in certain sectors.

The above decision shall be the subject of a specific Regency Decree valid for two years.

In any case, the share capital shall be divided into shares whose nominal value may not be less than twenty thousand lire or more than one million lire for each share.

Art. 8

Subscription and payment of share capital

Each member of the cooperative shall subscribe and purchase at least one share and shall not hold a number of shares with a total nominal value of more than 10 million lire in case of natural persons and 15 million lire in case of legal persons.

The subscription of the shares shall be simultaneous with the drawing up of the articles of association or with the registration of the new member.

The payment of the sums necessary for the total purchase and payment of the subscribed shares may be made in several instalments according to the provisions of the articles of association.

Art. 9

Issue of certificates

The members' shares shall be those entered in the members' register; they may also be represented by progressively numbered certificates, bearing the handwritten signature of the chairman of the board of directors or of the sole director and containing:

- a) - The business name, registered office and duration of the cooperative;
- b) - The date of establishment of the cooperative and of its registration in the public Register of Cooperatives;
- c) - The nominal value of the shares;
- d) - The surname and first name of the member.

The certificates may also represent several shares.

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Art. 10

Indivisibility of shares

The shares of a cooperative shall be indivisible.

Joint shares shall only be permitted between co-heirs of a deceased member if the corporate relationship continues to apply to them through one or more of their representatives.

In this case, the full details of the co-heirs shall be recorded on the shares and their representatives shall be specified.

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Art. 11

Constraints on shares

The shares of the cooperative shall not be foreclosed, seized or pledged as collateral in any way and shall not be subject to usufruct or other usage rights.

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Art. 12

Annotation of shares

The shares issued by the cooperative progressively numbered shall be noted in the Members' Register next to the name of each member.

Similarly, all reimbursements and subsequent cancellation of shares shall be noted. The payment of the consideration shall also be noted in the Members' Register.

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Art. 13

Variability of the share capital

The amount of the share capital of the cooperative shall vary simply as a result of the admission of new members and the withdrawal, exclusion or death of existing members if, in the latter case, the corporate relationship with the heirs is interrupted.

The share capital may be increased without changing the number of members if all or part of them subscribe and purchase shares corresponding to the difference between the nominal value of those held and the maximum limit of shares that may be held pursuant to Article 8 above.

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Art. 14

Contribution of assets in kind

Contributions of assets in kind by members to the cooperative shall not be subject to the subscription, even partial, of the share capital.

The above assets shall be included in the property available to the cooperative and their value shall be recorded as financing to the cooperative by the contributing members.

The value of the assets contributed by the members shall result from the technical report of an expert, which shall be sworn before the Law Commissioner.

The above report shall be promoted by the cooperative at its own expense and shall be kept in the cooperative's records after it has been signed by the chairman of the board of directors or the sole director and the chairman of the board of auditors.

The directors and the auditors shall ensure that each financial statement contains an estimate of the assets contributed by the members, expressly taking into account their deterioration or increase rate.

CHAPTER III

MEMBERS

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Art. 15

Number of members

The cooperative shall be established with a minimum of five members.

Consumer cooperatives shall be established with a minimum of not less than fifty members, to be documented through the Members' Register.

The articles of association may prohibit members from registering in other cooperatives of the same sector.

Public bodies shall not be eligible for membership, except for already existing cases.

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Art. 16

Membership requirements

Natural persons who are San Marino citizens and who reside in San Marino or, if the regulations of the individual sectors expressly provide for it, who are domiciled in the Republic, as well as legal persons having their registered office and carrying out their main activity in the Republic, shall be eligible for membership, provided that the numerical majority of the members is made up of natural persons and that they hold the majority of the share capital.

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Art. 17

Decrease in the number of members

When the number of members falls below the minimum limit, such number shall be reinstated within four months, otherwise the cooperative shall be subject to compulsory winding up and removed from the public Register of Cooperatives.

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Art. 18

Corporate relationship and employment relationship

Alongside the corporate relationship, an employment relationship shall be established between the cooperative and the member who works for it on a non-occasional basis, even if on a part-time or fixed-term basis; such employment relationship shall have the following characteristics:

- a) The employment relationship with members shall not be subject to the rules on hiring and workforce placement;
- b) The employment relationship with members shall be subject to the laws and provisions relating to: social security and pensions; hygiene and safety at work; limitations on working hours, weekly rest periods and recognised holidays; all regulatory aspects generally defined by collective bargaining so that the aforementioned members do not find themselves in situations that are less protected than other employees;

c) The members' remuneration shall not be less than 80% of the minimum amounts of the relevant category, nor more than twice these amounts;

d) The employment relationship with the members shall be automatically terminated as a result of their withdrawal or exclusion as members, when withdrawal or exclusion become effective. Until such time, the employment relationship shall be automatically suspended;

e) Regardless of the corporate relationship, the employment relationship with the members may be terminated in all cases provided for by law.

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Art. 19

Employment of members in production and work cooperatives

In production and work cooperatives, the members shall perform their work on a non-occasional basis, even if on a part-time or on a fixed-term basis, to an extent of at least 80% of the entire membership structure.

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Art. 20

Hiring of non-member employees

The cooperative may hire non-member employees through a regular employment relationship in accordance with the law, even if on a part-time or fixed-term basis, with any qualification, but to the extent strictly necessary for the proper functioning of the cooperative.

Production and work cooperatives may hire non-member employees in accordance with the previous paragraph but to an extent of not more than 40% of the members, provided that the percentage referred to in Article 19 has been reached.

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Art. 21

Admission of new members

The admission of new members after the establishment of the cooperative shall be decided, at the request of the interested party, by the board of directors or by the members' meeting if the administration is entrusted to a sole director.

The request, addressed to the cooperative, can be delivered in any way, obtaining in any case a receipt attesting to the date of delivery.

The decision to admit a new member shall be adopted within ninety days of receipt of the request and its content shall be notified, within the following ten days, to the person concerned by registered mail. In addition to the amount of the subscribed shares, the new member shall pay, if the articles of association so provide, a sum to be established by the board of directors or by the members' meeting if the administration is entrusted to a sole director for each financial year, in proportion to the revaluation fund and the management reserve.

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Art. 22

Refusal of admission

A decision rejecting a request for admission shall be taken and notified to the person concerned within the time limits and in the manner set out in the third paragraph of the preceding Article.

If, one hundred days after the date on which the request for admission was received, no decision has been taken on the matter, the request shall be deemed to have been rejected.

Against the decision rejecting the request or in the case referred to in the previous paragraph, the interested party may appeal, within ten days from the expiry of the period provided for therein or from receipt of the notification of the decision, to the panel of arbitrators if provided for in the articles of association or to the members' meeting.

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Art. 23

Requirements

The chairman of the board of directors or the sole director shall ensure that the decisions for the admission of new members be recorded in the members' register at the same time as they are adopted.

When the Cooperation Commission has reason to note that a given cooperative adopts an almost permanent policy of not admitting new members, it may order an audit of the overall management of the cooperative.

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Art. 24

Withdrawal of members

The withdrawal of members shall always be allowed.

Any agreement that excludes the right of withdrawal shall be null and void. The articles of association may establish the relevant modalities.

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Art. 25

Exercise of withdrawal

The declaration of withdrawal shall be communicated to the cooperative by registered mail.

The chairman of the board of directors or the sole director shall ensure that the withdrawal is recorded in the members' register, if it is not considered necessary to raise objections in this regard; otherwise the panel of arbitrators, if established, or the members' meeting shall be involved.

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Art. 26

Effects of withdrawal

Withdrawal shall take effect at the end of the current financial year if communicated three months before the end of the financial year; otherwise it shall take effect at the end of the following financial year, except for what may be provided for by the articles of association pursuant to Art. 24.

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Art. 27

Exclusion of members

The exclusion of members may take place following a decision of the members' meeting or, if the articles of association so permit, through a decision of the board of directors.

The exclusion shall be communicated to the person concerned within ten days of its adoption by registered mail.

Exclusion may be decided in the following cases:

- a) Failure to pay, in whole or in part, the subscribed shares;
- b) Failure to comply with any other obligation deriving from the law, the articles of association or the decisions of the corporate bodies legitimately adopted;
- c) Exercise of activities that are competitive with those envisaged by the corporate purpose or behaviours that are detrimental to the good name and respectability of the cooperative;
- d) Encouraging disagreements and disputes between the members, with negative consequences for the management of the cooperative;
- e) Declaration of bankruptcy, incapacitation or disqualification of the member, or conviction of the member in criminal proceedings if this results in disqualification, even temporary, from public offices;
- f) No longer meeting the requirements to be a member;
- g) Any other cases which may be provided for in the articles of association.

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Art. 28

Appeal against exclusion

Against the exclusion decision appeal may only be lodged before the Judicial Authority through ordinary declaratory proceedings, following an appeal to the panel of arbitrators, if established.

Any judicial appeal shall be lodged by means of a writ of summons within thirty days from receipt of the notice of exclusion, or of the decision of the panel of arbitrators.

The deed for lodging an appeal may also contain the request for suspension of the exclusion measure until the appeal has become final. Such request shall not be submitted again after the initial writ of summons.

If there are serious grounds, the Judge, having assessed all the circumstances established following summary investigation, may suspend the exclusion measure, without the possibility of lodging an appeal against such decision.

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Art. 29

Death of a member

In case of death of a member, if the articles of association so permit, the heirs may opt for the continuation of the corporate relationship with them or for the reimbursement of the shares of their predecessor.

If there are several heirs, the corporate relationship may continue, by agreement between them, which shall be formally notified to the cooperative, with a single heir who represents all of them or with some or all of them on the basis of the division between them of the shares inherited.

However, the continuation of the corporate relationship with the heirs shall be possible only if the sole heir or the one who shall represent them all or those who, as a result of the division of shares, intend to become part of the cooperative, meet all subjective requirements necessary for this purpose in accordance with the law and the articles of association.

In any case, the continuation of the corporate relationship shall be subject to the consent of the cooperative expressed by the board of directors or by the members' meeting, in accordance with the articles of association.

The chairman of the board of directors or the sole director shall ensure that the death of the member and the continuation of the corporate relationship with the heirs or the reimbursement of the shares to them are recorded in the members' register.

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Art. 30

Requirements to be fulfilled by the heirs and the cooperative

The heirs of the deceased member shall notify the cooperative by registered letter within 180 days of the death and shall at the same time inform it whether they intend to opt for the continuation of the relationship by specifying the relevant conditions.

Within ninety days of receipt of the communication, the cooperative shall express its consent or disagreement with the continuation of the relationship and within ten days of the adoption of the relevant decision it shall inform the interested parties by registered mail.

In case of refusal to continue the corporate relationship, Article 22 shall apply.

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Art. 31

Reimbursement and revaluation of shares

In cases of withdrawal, exclusion or death of a member, where, in the latter case, there is no continuation of the corporate relationship with the heirs, the reimbursement of the shares to those entitled thereto shall be made on the basis of their nominal value as revalued using the resources in the ad hoc budget fund, in addition to any dividends or refunds underway and other accounting items that have been legitimately set aside as available to members, when the articles of association so provide.

The calculation for the reimbursement of the shares shall be made on the basis of the budgetary resources for the financial year in which the relationship with the individual member is terminated; the relevant payment shall be made within four months of the approval and deposit of the balance sheet, if the relationship has been terminated before the three months prior to the closure of the financial year; otherwise it shall be made on the basis of the budget for the following financial year.

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Art. 32

Liability of the outgoing member or of his heirs

The withdrawn or excluded member and the heirs of the deceased member shall be liable to the cooperative for the payment of the unpaid shares and for any other payment due at the time of termination of the corporate relationship.

The corresponding right of the cooperative shall be time-barred after two years.

In cooperatives having as their corporate purpose the construction and acquisition of houses for the members, the obligations referred to in the first paragraph shall be met by the successor as a condition to succeed.

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Art. 33

Particular creditor of the member

Throughout the duration of the cooperative, the particular creditor of the member shall not carry out either enforcement or precautionary actions on the shares regularly paid by the member who is his debtor.

In case of extension of the duration of the cooperative provided for in the articles of association, the particular creditor of the member may request the Court to order the cooperative to reimburse the shares owned by the member who is his debtor, by paying the relevant amount to him as creditor or setting it aside according to the Judge's instructions.

The action referred to in the previous paragraph shall be proposed within three months from the date of filing of the extension decision, under penalty of forfeiture.

TITLE II

CORPORATE BODIES

CHAPTER I

MEMBERS' MEETING

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Art. 34

Notion - Voting right

The members' meeting shall be the decision-making body of the cooperative and shall be made up of all its members.

Only the members who have been registered in the Members' Register for at least three months shall have the right to vote at the meeting, while all members registered in the relevant register shall have the right to be voted.

Each member shall be entitled to express one vote, whatever the value of the shares held.

The articles of association may attribute more votes, but no more than five, to legal persons who are members, depending on their turnover or the number of members they represent.

For all matters not covered by the articles of association, the provisions in force pertaining to companies shall apply.

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Art. 35

Functioning of the members' meetings

The members' meeting shall be convened and held within five months of the closure of the financial year for the approval of the balance sheet.

The members' meeting shall:

a) Appoint the directors or the sole director, the auditors and the panel of arbitrators, if provided for in the articles of association;

- b) Establish the remuneration of directors and auditors, as well as the attendance fee or other form of remuneration for the panel of arbitrators;
- c) Decide on the possible revocation of directors;
- d) Decide on liability actions against directors and auditors;
- e) Decide on all matters relating to the corporate management falling within its competence according to the articles of association or submitted to it by the directors, including the admission and removal of members in the cases provided for either by law or by the articles of association;
- f) Decide on the management plan, if submitted to it by the directors;
- g) Decide on amendments to the articles of association;
- h) Decide on the voluntary winding up of the cooperative and on the appointment of liquidators, as well as on their powers, remuneration and possible revocation;
- i) Decide on proposals for merger and acquisition.

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Art. 36

Convening of the members' meetings

The members' meeting shall be convened in the territory of the Republic and possibly at the registered office of the cooperative by the chairman of the board of directors upon decision of the board, or by the sole director, by means of a notice posted at the registered office and in the register of the Court and according to the forms of communication to be provided for in the articles of association.

The notice of meeting shall contain:

- a) An indication of the day, time and place of the meeting on first and, where appropriate, on second call;
- b) The agenda containing the items to be dealt with.

The meeting shall be convened when requested by at least 25% of the members with voting rights by means of a written request that shall also contain the list of items to be put on the agenda, or by the board of auditors according to the same modalities.

The request to convene the meeting may be delivered in any case at the registered office and the delivery shall be documented.

If the meeting is not convened within twenty days of delivery of the request to convene the meeting addressed to the chairman of the board of directors or to the sole director, the interested parties who had signed such request may submit an application to the Civil Court to convene the meeting by means of its decree, to appoint one of the applicants or an auditor to preside over it and to set the agenda according to the indications contained in the application.

The decree of the Court shall be subject to the procedures set out in the first two paragraphs, to be fulfilled by the applicants, but not to the time-limits indicated therein.

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Art. 37

Procedures of the members' meeting

The members' meeting shall be presided over by the chairman of the board of directors or the sole director, or, in their absence, by a member elected by the meeting, except in the case referred to in the fifth paragraph of Article 36.

During the meeting, the person presiding over it may request any person to act as secretary taking the minutes, if the articles of association and the meeting so permit.

In the meetings that decide on points g), h) and i) of Art. 35, the functions of secretary taking the minutes shall be carried out by a notary.

The minutes of the meeting shall always be signed, together with the secretary, by the chairman of the meeting and shall be recorded in the appropriate minute book of the meeting with the same authentic signatures, and a copy thereof shall be filed with the Court by the notary or the chairman of the meeting within twenty days.

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Art. 38

Validity of the members' meetings

The members' meeting shall be validly constituted and shall be able to decide, on first call, when half plus one of the members with voting rights are present.

If the above number is not reached, the meeting shall be postponed to the second call, which shall be mandatorily envisaged as possible in the notice of meeting referred to in Article 36.

The meeting on second call may also be held on the same day as the first meeting, at least one hour later, and shall have the same agenda.

The meeting on second call shall be validly constituted and shall be able to decide with any number of members entitled to vote.

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Art. 39

Validity of the meeting's decisions

The decisions of the members' meeting shall be valid when they receive the majority of votes of the members necessary for the validity of their constitution.

The provision of the second paragraph of Article 62 below shall remain unaffected; the same majority shall be required for decisions relating to:

- a) Change of the corporate purpose;
- b) Duration;
- c) Winding up;
- d) Powers of the directors; a majority of the members entitled to vote shall be required for such decisions.

In the cases provided for above, with the exception of those mentioned in Art. 62, if the meeting has been convened three consecutive times and could not be constituted due to the absence of a quorum, the competent judge shall convene the meeting, which shall be valid with the presence of any number of members.

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Art. 40

Representation at the members' meetings

During the meetings, each member with voting rights may be represented by proxy only by another member with voting rights. Each member shall not have more than one proxy.

The members who are directors or auditors shall not hold any proxy.

The proxy shall be granted in writing and shall be valid both for the first and the second call.

The proxies, the regularity of which shall be attested by the signature of the chairman or sole director, shall be kept with the cooperative's records.

Members that are legal entities shall be represented by their legal representative or special agent.

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Art. 41

Conflict of Interest - Effectiveness of the meeting's decisions and possibility of challenging them

For all matters not covered by this Law, the provisions in force of the Company Law shall apply to conflicts of interest during members' meetings, the effectiveness of the meeting's decisions, the possibility of challenging them and the related procedure.

CHAPTER II

DIRECTORS

Art. 42

Governing body

A cooperative shall be managed by a board of directors and when its members are less than nine, it may be managed by a sole director.

The directors of the cooperative shall be chosen from among the members and shall be exempt from providing a guarantee.

In cooperatives where legal persons are members, their representatives may be appointed as directors.

The number of directors shall be established by the articles of association.

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Art. 43

Ineligibility and removal of directors

The members who meet the conditions for exclusion under Article 27 above shall not be appointed and if they are appointed they shall be removed.

Directors in office who meet the conditions referred to in the previous paragraph shall automatically be removed from their office upon the occurrence of the above conditions.

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Art. 44

Appointment and revocation of directors

The appointment of directors shall fall within the competence of the members' meeting. The first directors shall be appointed when the cooperative is established.

The directors shall remain in office for three years and may be re-

elected. The members' meeting may revoke the directors at any time.

The directors shall not be revoked if such revocation is not on the agenda contained in the notice of meeting of the members' meeting.

The same members' meeting that revokes the directors shall immediately appoint new directors to replace them.

The revocation of directors shall not entail any liability action against the revoked directors.

A director who has formally resigned, including orally at the members' meeting before the opening of the discussion on the revocation, shall not be revoked and his resignation shall be accepted.

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Art. 45

Procedures for the appointment of directors

The directors shall be appointed by open or secret ballot, if requested.

The acceptance of the directors shall be signed in writing in the minutes of the meeting during which they were appointed, or shall be transmitted within twenty days to the public Register of Cooperatives.

The names of the directors referred to in the previous paragraph shall be published in the Official Bulletin of the Republic by the public Register of Cooperatives.

In the time elapsing between the election and the completion of the procedures referred to in the preceding paragraphs, the directors shall be entitled to exercise their functions only in cases of particular urgency.

The director who, within the period referred to in the second paragraph, has not fulfilled the procedures provided for therein may be revoked.

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Art. 46

Board of directors

The directors appointed by the members' meeting or when the cooperative is established shall constitute the board of directors.

The board of directors shall appoint a chairman and a deputy chairman from among its members.

The board of directors shall have all powers for the ordinary and extraordinary administration of the cooperative, except for the powers and functions expressly assigned by law to the members' meeting.

The board of directors, after hearing the opinion of the board of auditors, shall establish the remuneration of directors holding particular offices provided for in the articles of association.

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Art. 47

Chairman and deputy chairman - Directors, acts and responsibilities

The provisions in force of the Company Law shall apply to the chairman and deputy chairman of the board of directors, the meetings of said board and the validity of its decisions, the powers of representation of directors, the removal, termination and replacement of directors, the prohibition of acts of competition by them and their conflicts of interest, their liability towards the cooperative, the corporate creditors, individual members and third parties, to the corporate liability action against them and to the sole director in so far as necessary and possible.

CHAPTER III

BOARD OF AUDITORS - PANEL OF ARBITRATORS

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Art. 48

Composition

In each cooperative, the ordinary members' meeting shall appoint at least two auditors, including non-members, who shall remain in office for three years and may be re-elected.

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Art. 49

Ineligibility and removal of auditors

The preceding Art. 43 shall apply to auditors.

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Art. 50

Appointment and revocation of auditors - Functions and responsibilities

The provisions in force of the Company Law shall apply to the appointment and revocation of auditors and the related procedures, their replacement, the functions of the board of auditors, the duties, fulfilments, responsibilities, acts and decisions of the aforementioned board and its members, as well as the reporting by the cooperative's members to the board of auditors for operational matters in so far as necessary and possible.

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Art. 51

Optionality of the panel of arbitrators

The articles of association of cooperatives may provide for the establishment of the panel of arbitrators who, as amicable compositors, with dispensation from all formalities, shall judge, according to fairness and with respect for the rules of the adversarial procedure, any disputes arising between members or between members and directors on matters relating to the rights of members or the management of cooperatives without prejudice to the merits of the management activity.

When the articles of association provide for the panel of arbitrators, they shall also contain an arbitration clause regarding derogation from to the jurisdiction of the Judicial Authority.

The decision of the panel of arbitrators shall not be challenged, except in cases of exclusion.

TITLE III

MANAGEMENT

CHAPTER I

COMPANY BOOKS AND BUDGET

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Art. 52

Company books to be kept and relative requirements

Cooperatives shall be required to keep the following books:

1. The Members' Register in which members shall be listed with progressive numbering; for each member the surname, first name, date and place of birth, citizenship, domicile and residence, work activity, number of shares subscribed and paid shall be indicated;
2. The Minute Book of the Members' Meetings, containing the minutes and decisions of the meetings of all kinds, by date order;
3. The Minute Book of the Board of Directors, containing the minutes and decisions of the meetings of the Board of Directors, by date order;
4. The Minute Book of Auditors, containing the minutes of the meetings and the decisions of the Auditors, by date order, as well as the activities individually carried out by the Auditors and any other activity carried out by them according to the provisions of the law;
5. The Minutes Book of the Panel of Arbitrators, for cooperatives having established such a body; this Book shall contain, by date order, the minutes of the meetings of the Panel and the decisions taken by it.

The current provisions of the Company Law shall apply to the keeping of company books and relative requirements, as well as to their availability to members.

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Art. 53

Budget

The current provisions of the Company Law shall apply to the budget of cooperatives, its drawing up, its contents, the related reports by directors and auditors, its filing and the related formalities.

The Cooperation Commission may draw up specific templates for the budget of cooperatives.

CHAPTER II

ALLOCATION OF OPERATING PROFITS

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Art. 54

Dividends and refunds

The members' meeting approving the budget and the related documents may allocate no more than 50% of profits to dividends and refunds for members, and shall establish the amount to be destined to both items or only to one of them.

Dividends shall be distributed in proportion to the paid-up capital plus the share revaluation fund. However, they may not be higher than the result obtained applying to the paid-up capital plus the share revaluation fund the rate applied by banks to the State for subsidised credit operations or, failing that, to medium-term loan operations.

The Cooperation Commission shall adopt such rate annually by its own decree.

Refunds shall be distributed among members in proportion to the economic amount of the relationship established by each member with the cooperative during the financial year for the purchase of goods, services or for work activities, to implement the mutual purpose. Such proportion shall be defined by the meeting.

Approved dividends and refunds shall be distributed within thirty days of the expiration of the period for challenging the decision if the latter is not challenged or if, having been challenged, its enforceability has not been suspended.

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Art. 55

Share revaluation fund

For the purposes of the provisions of Article 31 above, the members' meeting approving the budget may allocate up to 10% of profits to the "share revaluation fund".

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Art. 56

Mutual and social activities fund

The meeting may allocate up to 2% of its profits to a special "Mutual and social activities fund", to be used to finance cultural, recreational and sports activities, for the benefit of members and their families, as well as to contribute to the financing of public benefit initiatives promoted by anyone.

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Art. 57

Management reserve

The members' meeting shall allocate not less than 33 % of its profits to the 'management reserve', which can be used for investment and/or commercial purposes or to cover losses incurred in previous years.

5

Art. 58

Cooperation Development Fund

The members' meeting shall allocate 2% of its profits to the "Cooperation Development Fund" referred to in Art. 81 below.

TITLE IV

CHANGES TO COOPERATIVES - CONSORTIUM INTEGRATION - PARTICIPATIONS IN COOPERATIVES

CHAPTER I

TRANSFORMATION - MERGER - ACQUISITION

5

Art. 59

Ban on transformation

Cooperatives may not be transformed into other types of companies, not even by unanimous decision of the members.

Any such decision shall be null and void.

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Art. 60

Merger

Mergers between cooperatives may take place through the establishment of a new cooperative by means of a public deed.

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Art. 61

Acquisition

A cooperative may acquire one or more cooperatives by means of a public deed.

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Art. 62

Procedure and fulfilments

The merger referred to in Art. 60 above and the acquisition referred to in Art. 61 shall be approved by the members' meeting of each cooperative taking part in the operation.

The decisions referred to in the previous paragraph shall require for their adoption the votes in favour cast by a majority of members having the right to vote of each cooperative concerned, both on first or subsequent calls.

In the cases referred to in the first paragraph, Articles 2, 3, 4 and 5 above shall apply as regards the applicable parts.

The notarial deed recording a merger or acquisition shall be filed with the Court Registry, pursuant to Article 5 above, together with the certified copies of the minutes of the members' meetings that approved the merger and acquisition. Moreover, the deeds containing the financial position of the cooperatives concerned, as of the date of the aforesaid approvals, signed by their legal representatives, shall also be filed.

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Art. 63

Succession in rights and obligations

The new cooperative created by merger pursuant to Art. 61 above and the acquiring cooperative pursuant to Art. 61 above shall acquire the rights and obligations of the merged or acquired cooperatives.

The corporate purpose of the new cooperative referred to in the first paragraph above shall include the corporate purpose of the merged or acquired cooperatives.

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Art. 64

Extinction and other effects

Merged and acquired cooperatives shall cease to exist because of the merger or acquisition and shall be deleted from the Register of Cooperatives following the decree referred to in the second paragraph of Art. 5 above.

The members' meeting approving the merger or acquisition shall also determine how the members' shares are to be equated.

CHAPTER II

COOPERATIVE CONSORTIA

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Art. 65

Nature and purpose

Cooperative consortia shall result from the operational integration of different cooperatives, operating in different sectors or in the same or similar sectors, with the aim of supporting and boosting the development of the above-mentioned cooperatives and of cooperative activities in general, by creating synergies of any kind.

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Art. 66

Forms of consortium structuring

Cooperative consortia may gather basic cooperatives and may gather consortia, even with the participation of basic cooperatives.

The consortia referred to in the previous paragraph shall be set up in the form of limited liability cooperatives, in accordance with Articles 1 to 6 of this Law, with a variable capital consisting of shares of not less than £. 500,000 each.

The same rules shall apply to:

- a) Issue of certificates;
- b) Indivisibility of shares;
- c) Constraints on shares;
- d) Transferability of shares;
- e) Annotation of shares;
- f) Variability of the share capital;
- g) Contribution of assets in kind.

The establishment of a cooperative consortium shall require a minimum number of at least three cooperatives duly registered in the public Register of Cooperatives.

In addition to the aforementioned cooperatives, third parties - both natural persons being sole proprietors and non-cooperative legal persons managing businesses - may participate in cooperative consortia, provided that: they are resident and domiciled or have their registered office in the Republic of San Marino and really operate in the Country; the cooperatives being part of the aforesaid consortia have a numerical majority and hold at least 60% of the share capital.

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Art. 67

Reference provisions

The rules on cooperatives of this Law shall apply, insofar as compatible, to the cooperative consortia referred to in the previous article for anything not expressly provided for, including the rules relating to the allocation of profits and to the tax regime, as well as the rules of Law on consortia no. 42 of 22 July 1977, as amended by Law no. 27 of 26 February 1986.

CHAPTER III

MUTUAL PARTICIPATION OF COOPERATIVES

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Art. 68

Prohibition

Mutual participation between cooperatives as well as between cooperatives and any other type of company shall be prohibited.

TITLE V

PUBLIC REGISTER OF COOPERATIVES

CHAPTER I

ESTABLISHMENT AND NATURE - BODIES REQUIRED TO REGISTER AND PURPOSES - EFFECTS

5

Art. 69

Establishment and nature

The Public Register of Cooperatives shall be established at the Court.

The Register shall have the nature of a public institution pursuing public service objectives in the interests of the community and the State.

The provisions of Art. 20 of Law no. 68 of 13 June 1990 shall apply to the keeping of the Public Register of Cooperatives, insofar as compatible.

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Art. 70

Bodies required registering - Purposes

Cooperatives of any kind shall be required to be entered in the Register referred to in the previous article.

The registration of cooperatives of any kind shall have the following purposes:

- a) To ensure ongoing knowledge of the number, type and legal status of the cooperatives established in San Marino, in order to exactly assess their operation within national economy and to supervise them;

b) To provide third parties with the necessary guarantees of the legal situation of cooperatives with which they have relationships, by publishing the relative fundamental deeds required by law to be recorded in the Register.

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Art. 71

Effects

The registration of cooperatives of any kind and the annotation, according to the law, of the deeds relating to them, shall determine the legal existence of the registered bodies and the legal effectiveness of the deeds annotated.

CHAPTER II

PROCEDURES

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Art. 72

Procedures

The registration of cooperatives of any kind and the annotation of deeds relating to them in the cases indicated by law shall be carried out by lodging, with the Public Register of Cooperatives, the documentation indicated by the rules applicable in the various cases, accompanied by a formal application, if requested.

The registration of cooperatives shall be carried out as defined in Article 5 above.

TITLE VI

TAX REGIME OF COOPERATIVES

CHAPTER I

LEGAL STATUS AND BENEFITS DUE

Art. 73

Defining rule and requirements

Cooperatives of any kind governed by this Law shall be taxable and required to submit their tax return in accordance with the rules in force in the Republic.

Art. 74

Benefits due - Entitled entities - Exclusions

Limited liability cooperatives shall be subject to the tax regulations applicable to the entities required to draw up annual financial statements, and shall be entitled to the following benefits:

1. Exemption from registration and stamp duty for deeds relating to their establishment and deeds to be drawn up in compliance with formal and material laws during the management and winding up phase;
2. Exemption from the licence fee;
3. Registration and mortgage duties for a total fixed amount of 50,000 lire on contracts for the rental of real estate and on deeds of transfer of such real estate, between cooperatives and members or between cooperatives and third parties, in this case only to the benefit of the cooperative;
4. Reduced rate of taxation (by 50%) on paid profits, dividends and refunds in accordance with Article 54;
5. Exemption on profits allocated to the funds provided for in Articles 55, 56, 57 and 58.

In any case other than those listed in the previous points, ordinary taxation shall apply.

CHAPTER II

CONDITIONS TO OBTAIN TAX BENEFITS - ASSESSMENTS

5

Art. 75

Conditions to be met

The tax benefits provided for in the previous Chapter shall no longer apply if the entitled cooperatives and consortia:

1. Distribute to members amounts higher than those indicated in Articles 54 and 55 above;
2. Distribute, even covertly, amounts set aside as reserves of any kind;
3. Do not devolve any assets remaining from their winding up to the Cooperation Development Fund, after deducting the amounts for the reimbursement of the share capital revalued in accordance with the law, as well as dividends and refunds approved and accrued by members.

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Art. 76

Assessments

The assessments carried out by the Tax Office and the Assessment Committee pursuant to Law no. 155 of 30 December 1986 on cooperatives and cooperative consortia shall only concern their income.

The tax bodies referred to in the preceding paragraph shall assume compliance with the requirements to obtain tax benefits referred to in Article 75 above, unless the Cooperation Commission, the only body responsible for assessing the above conditions, has reported to the Tax Office that such conditions are not met; in this case, cooperatives or cooperative consortia shall be considered as non-compliant.

TITLE VII

PREFERENTIAL RELATIONS WITH THE PUBLIC ADMINISTRATION

CHAPTER I

CONDITIONS AND FULFILMENTS

5

Art. 77

Preferential contracts

The Public Administration shall give preference to cooperatives in procurement, supply, works and service contracts, if their bids are at least similar to those of other competitors, within the framework of the provisions in force on the matter.

CHAPTER II

PROHIBITIONS AND OBLIGATIONS

5

Art. 78

Prohibitions

Cooperatives that are contractors or public works, services or supply concessionaires for the Public Administration shall be forbidden to transfer the contract to anyone.

The contract shall be performed in compliance with the regulations in force on employment relationships and at least 50% of the amount of the contract shall be finalised by the successful tenderer; the latter shall, anyway, be jointly and severally liable with the subcontractors in respect of the Public Administration.

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Art. 79

Termination of preferential contracts for violations

Violation of the prohibitions and obligations provided for in this title shall entail termination of the preferential contract by simple decision of the Public Administration concerned, without prejudice to compensation for damages and any other permitted or due measure.

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Art. 80

Other cases of termination of preferential contracts

The Public Administration may declare the termination of preferential contracts when the cooperatives that are contractors, works, services, or supply concessionaires are placed under extraordinary administration.

The Public Administration shall automatically terminate preferential contracts without any declarations, when the cooperative is placed under compulsory winding up.

TITLE VII

COOPERATION DEVELOPMENT FUND - STATE CONTRIBUTION

CHAPTER I

GENERAL AND MANAGEMENT RULES

5

Art. 81

Establishment and regulation

The Cooperation Development Fund shall be established at the Ministry of Labour and Cooperation.

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Art. 82

Administration

The Cooperation Commission, chaired by the Minister of Labour and Cooperation shall administer the Cooperation Development Fund, according to the rules and modalities defined by the Commission.

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Art. 83

Management

The Cooperation Development Fund shall be managed based on autonomous and specific accounting, in accordance with the rules governing State accounting.

5

Art. 84

Fund's assets

The Cooperation Development Fund shall be fed by:

1. Mandatory allocation of 2% of the annual profits of cooperatives of any kind, as provided for in Article 58 above;
2. Devolution of the remaining assets from the winding up of cooperatives of any kind;
3. Voluntary contributions from cooperatives of any kind;
4. Bequests, donations, contributions from natural and legal persons, including foreigners;
5. State contributions, to be established annually by budget law;
6. Various profits, including those deriving from the interest-bearing commitments of amounts.

CHAPTER II

PURPOSE OF MANAGEMENT

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Art. 85

Direct subsidised financing

Direct funding may be granted to cooperatives from the Cooperation Development Fund's assets, based on their specific development programmes.

The Cooperation Commission shall determine the preferential interest rate applicable to the above financing.

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Art. 86

Contributions for training activities

Cooperatives may receive from the Cooperation Development Fund contributions to costs for training activities and professional qualification activities for their members and/or employees.

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Art. 87

Cultural and promotional activities

The Cooperation Development Fund's assets may finance cultural activities and initiatives suitable to promote and spread the cooperative culture, its specific characteristics as well as general aspects indirectly related to it.

Such activities and initiatives may be directly promoted and implemented by the Fund, cooperatives, other public or private bodies and entities.

CHAPTER III

STATE CONTRIBUTIONS

5

Art. 88

State contributions

The State may grant contributions, by means of specific measures, to cooperatives as well as to legally recognised cooperative consortia and professional associations, both in the form of non-repayable grants and in the form of loans at very favourable rates on the basis of multi-year repayment plans.

TITLE IX

COOPERATION COMMISSION

CHAPTER I

ESTABLISHMENT AND FUNCTIONS - NATURE

5

Art. 89

Establishment

The Cooperation Commission shall be established at the Ministry of Labour and Cooperation; its members shall be appointed by decision of the Great and General Council for the duration of the legislature.

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Art. 90

Functions

The Cooperation Commission shall have the following functions:

1. To act as an advisory body for the Great and General Council, the Captains Regent and each Ministry on matters directly or indirectly concerning cooperation;

2. To produce statistics on cooperatives and their activities by means of annual surveys;
3. To administer and manage the Cooperation Development Fund;
4. To conduct studies on cooperation in general and on San Marino cooperation in particular;
5. To make proposals to promote cooperation and the development of cooperatives in San Marino;
6. To provide adequate documentation, information and image promotion on cooperation and cooperatives;
7. To carry out the supervisory and control activities provided for and regulated in this Law;
8. To fulfil all the tasks assigned to it by this Law;
9. To address the demands of the various bodies of the State and of the Public Administration.

In order to carry out the above-mentioned functions, the Commission shall avail itself of the technical-operational support of the competent section of the Labour Office.

CHAPTER II

COMPOSITION AND FUNCTIONING

5

Art. 91

Composition

The Cooperation Commission shall be made up of:

- a) The Minister of Labour and Cooperation presiding over it;
- b) An official of the Office of Industry, Handicraft and Trade in an advisory capacity;
- c) An official of the Department of Finance in an advisory capacity;
- d) An official of the competent Section of the Labour Office acting as secretary;
- e) Two representatives of trade unions;
- f) Two representatives of cooperatives;
- g) Four experts appointed by the Great and General Council. The members referred to in points b), c), and d) shall be appointed by the Congress of State.

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Art. 92

Functioning

The Commission shall meet periodically when convened by its chairperson.

Its secretary, who shall sign the minutes together with the chairperson, shall formally record minutes of the sittings.

The Commission's decisions shall be adopted by majority vote. The Commission shall be validly constituted when at least a majority of its members are present, including its chairperson.

Members of the Commission may not vote on issues in which they have direct or indirect interests.

TITLE X

SUPERVISION

CHAPTER I

SUPERVISION BY THE COOPERATION COMMISSION

5

Art. 93

The Cooperation Commission shall directly supervise cooperatives.

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Art. 94

Inspections

The Cooperation Commission may order inspections on any cooperative.

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Art. 95

Commission's supervision

To perform the supervisory tasks provided for by this Chapter, the Cooperation Commission shall be supported not only by the competent section of the Labour Office but also by officials of the various State bodies and by experts appointed on a case-by-case basis.

CHAPTER II

PROCEDURAL RULES AND SANCTIONS

5

Art. 96

Inspection reports

The person who carries out the inspection shall draw up an ad hoc report of the inspections carried out on cooperatives.

Inspection reports shall contain all the statements that the representative of the inspected body requests to be transcribed and the inspector's concluding objections.

Such reports shall be public records to all intents and purposes and they shall remain in the possession of the body that promoted and supervised the inspection, including the necessary copies; a copy thereof shall be given to the inspected body, signed by the person who carried out the inspection.

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Art. 97

Rebuttal arguments

Within 10 days of the inspection, the legal representative of the inspected entity may lodge with the secretariat of the Cooperation Commission its rebuttal arguments on the inspection findings, whatever the nature of the inspection and whoever promoted it.

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Art. 98

Detectable violations during inspections

The following violations may be detected during inspections:

- a) Inactivity for at least two years;
- b) Violation of the law;
- c) Violations of the articles of association;
- d) Legal, administrative and accounting irregularities.

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Art. 99

Decisions of the Commission

The Cooperation Commission, having assessed the inspector's final proposals and the relevant report, as well as any rebuttal arguments of the inspected entity, and having acquired, if necessary, any other element useful to express a judgement, including by means of an additional inspection, may adopt the following alternative decisions:

1. To close the file if no measure is adopted;

2. To order the inspected entity to rectify the irregularities identified within a specific deadline by adopting the measures imposed by the Commission, and to subsequently notify the Commission of such rectification;
3. To propose to the judicial authority to place the inspected entity under extraordinary administration, in accordance with the following provisions, and to appoint a special curator for a total period of not more than two years after the seriousness of the violations has been established during the inspection, or when the rectification referred to in number two above has not been carried out;
4. Propose to the judicial authority to put the inspected entity under compulsory winding up when:
 - a) The case provided for in Article 98 letter a) above, or other cases expressly provided for in this Law as grounds for compulsory winding up or ex officio dissolution have occurred;
 - b) The violations detected during inspections are so serious that they have led to a situation that cannot be solved by extraordinary administration, or it has been established that the inspected body is unable solve its debt situation;
 - c) In the event of voluntary winding up, the available assets are not sufficient to fully pay the cooperative's debts.

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Art. 100

Transmission of the inspection report to the Judicial Authority

When the inspection report reveals facts that constitute or may constitute an offence, the Cooperation Commission, without prejudice to the law provisions falling within its competence, shall transmit a copy thereof to the Judicial Authority.

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Art. 101

Notification and form of the measures

The measures decided by the Cooperation Commission in accordance with Article 99 above shall be formally adopted through a decision of the Cooperation Commission.

The above decision shall be notified to the entity concerned within five days of its adoption and shall be subject to the procedures set out in the following provisions.

TITLE XI

EXTRAORDINARY ADMINISTRATION - VOLUNTARY AND COMPULSORY WINDING UP

CHAPTER I

EXTRAORDINARY ADMINISTRATION

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Art. 102

Members' meeting

During extraordinary administration, the members' meeting shall continue to exercise the powers and to perform the functions provided for by law and by the articles of association compatible with extraordinary administration.

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Art. 103

Termination of the extraordinary administration

Extraordinary administration shall terminate:

- a) Upon expiry of the time-limit assigned or revocation of the extraordinary administration; consequently, the ordinary governing bodies shall be reinstated;
- b) When, upon proposal of the special curator, at the expiry of his term of office or even earlier, the Court decides to place the cooperative under compulsory winding up.

CHAPTER II

WINDING UP

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Art. 104

Cases of compulsory winding up

The members' meetings of recognised cooperatives may decide, with the established majority, to place the cooperatives under voluntary winding up for the following reasons:

1. Expiry of the duration assigned to the cooperative in its memorandum of association;
2. Attainment of the corporate purpose or impossibility to attain it;
3. Impossibility to operate;
4. Willingness of the members;
5. Any other causes provided for in the articles of association.

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Art. 105

Compulsory winding up declaration: effects and nature

In the cases provided for in Art. 99, number 4 above, or even at the request of the directors, the board of auditors, the majority of members or corporate creditors, to be deposited with the Court Registry, cooperatives may be subject to the compulsory winding up procedure decided by the Law Commissioner.

The compulsory winding up procedure referred to in the preceding paragraph shall take the form of judicial bankruptcy proceedings.

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Art. 106

Reference provision

The provisions in force of the Company Law and of the Law on Competitions shall apply to voluntary and compulsory winding up procedures.

TITLE XII

TRANSITIONAL AND FINAL PROVISIONS

7

Art. 107

Cooperation Commission

Within two months of the entry into force of this Law, the Minister of Labour and Cooperation shall, upon his initiative, establish the Cooperation Commission provided for in Title IX of this Law.

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Art. 108

Adjustment terms and criteria

The cooperatives and cooperative consortia existing in the Republic at the time of entry into force of this Law shall adjust their articles of association, organisation and operations to the provisions contained in this Law.

The adjustment referred to in the previous paragraph shall be made within two years of the entry into force of this Law.

Admission to the benefits provided for in this Law shall be subject to the adjustment referred to in the previous paragraphs and shall start to run from the financial year in which the adjustment is made.

The Cooperation Commission may grant an extension of the time limits for the adjustment referred to in this Article upon justified and documented request by individual cooperatives.

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Art. 109

Repeal and reference provisions

Law no. 39 of 7 July 1977 on companies shall be repealed.

For anything not expressly provided for in this Law, the provisions already in force shall apply as far as they are compatible, in particular Law no. 68 of 13 June 1990 on companies, Law no. 45 of 17 June 1974 on agricultural cooperation, Law no. 42 of 22 July 1977 on consortia and their subsequent amendments and integrations.

In addition, the criminal provisions in force for the establishment of possible offences in the management and administration of cooperatives governed by this Law and for the punishability of such offences shall apply.

Art. 110

Entry into force

This Law shall enter into force on the fifteenth day following that of its legal publication.

**Done at Our Residence, on 2 December 1991/1691 since the
Foundation of the Republic**

THE CAPTAINS REGENT

Edda Ceccoli - Marino Riccardi

THE MINISTER OF

INTERNAL AFFAIRS

Alvaro Selva