



CAPITAL RAISING THROUGH THE USE OF CO-OPERATIVE SOCIETY STRUCTURE

The Co-operative Society was introduced as a form of collective investment scheme molded after the Esusu type of capital aggregation for the benefit of its members. The various states of the Federation have laws in one form or the other guiding the establishment of the Co-operative Society. There is also a Federal Law enacted in 1974, to establish Co-operative Development Unit in the Federal Ministry of Labour to advise the Federal Government on Co-operative Societies and disburse resources to such societies amongst many other duties.

There are different types of Co-operative Society, some buy consumer products in bulk at a

cheaper rate than sold in the market, for distribution to members. Some are building societies to buy land in bulk, apportion and sell to members, others are credit and thrift societies that take deposits from members at an interest rate for onward lending to other members at an interest rate which will be much lower than what obtains in the banking system.

For entrepreneurs, how is the Co-operative Society structure impacted by the various laws giving the Central Bank of Nigeria and the Securities and Exchange Commission power to licence and regulate any structure set up for the purpose of raising capital?

Whilst the state governments license and regulate the Co-operative Society as a structure, the question whether or not they can aggregate capital is a function of what the National Assembly legislates as may be found in Banks and Other Financial Institutions Act cap B3 Laws of the Federation of Nigeria, 2004 ('BOFID'), and the Investments and Securities Act, 2007 ('ISA').

The review of the laws referenced above, shows that SEC approval is not required for invitation to members of the same society for the purpose of raising funds. A constructive reading of sections 67(1) and 69(2) of ISA supports this

submission.

We are also of the considered view that the Co-operative Society in taking funds and giving loans to its members may not be engaging in banking business as defined in BOFID, moreso as the Co-operative Society is authorized by the Co-operative Law to take deposits, which would seem to be in conformity with section 44(1) of BOFID.

However it is required of the draftsman of the various transaction documents, to skillfully ensure that the powers of the Co-operative Society are clearly defined in such a way that it could take advantage of the provisions of ISA and BOFID to enable aggregation of funds without necessarily requiring CBN and SEC approval.

It is worthy of note that the many advantages of the Co-operative Society should spur individuals to band together in furtherance of their business opportunities through access to low cost capital by fund aggregation for the purpose of land acquisition or bulk purchase of goods or soft loans for their business.

Benefits

Take deposits from members

Give out loans to members

Invest monies in government securities

Deposit money in bank

Share of member not liable to creditor court attachment

Exempted from payment of stamp duty

Exempted from payment of tax

Exempted from payment of land registration fee