

## **THE RELIGIOUS ORGANIZATIONS ACT OF BHUTAN**

### **Preamble**

**WHEREAS**, it is expedient to have a consolidated law and to provide for the registration and administration of the religious organizations to protect and preserve the spiritual heritage of Bhutan,

The National Assembly of Bhutan in its 87th Session held on 5<sup>th</sup> Day of 5<sup>th</sup> Month of the Female Fire Hog Year of the Bhutanese Calendar, corresponding to 19<sup>th</sup> June, 2007 hereby consolidate and enact the Religious Organizations Act of Bhutan.

### **Chapter 1 Preliminary**

#### **Short title, commencement and extent**

1. This Act shall:
  - (a) Be called the Religious Organizations Act of Bhutan, 2007;
  - (b) Come into force in the 16<sup>th</sup> Day of the 6<sup>th</sup> month of the Female Fire Hog Year of the Bhutanese Calendar, corresponding to the 31<sup>st</sup> Day of July, Month, 2007; and
  - (c) Extends to the whole of the Kingdom of Bhutan.

#### **Repeal**

2. This Act hereby repeals Tha 2-1 and 3-3 of the Thrimzhung Chenmo and provisions of any law, by-laws, rules and regulations which are inconsistent with this Act.

## **Chapter 2 Religious Organizations**

### **Religious Organizations**

3. Religious Organizations, hereinafter referred to as ROs are associations, societies, foundations, charitable trust, or other non-profit entities that do not distribute any income or profit to their members, founders, donors, directors or trustees and whose purpose and objectives are solely for the benefit of religious institutions and the spiritual heritage of Bhutan.

For the purpose of this Act “religious institutions” shall mean the *Dratshang, Lhakhangs, Goendey, Shedra, Drubdeys, Gomdey, Hindu Mandirs* or any other religious institutions as recognized by the *Chhoedey Lhentshog* established under this Act. Religious institution shall not include the *Gedun Dratshang* and the subsidiaries registered under it.

## **Chapter 3 Principle and objectives**

### **Objectives of the Act**

4. The objectives of this Act are to:
  - (a) Facilitate the establishment of ROs in order to benefit the religious institutions and protect the spiritual heritage of Bhutan;
  - (b) Ensure a system of public accountability by providing a framework for responsible and effective self-regulation of ROs;
  - (c) Facilitate a constructive partnership between the Government and religious institutions;
  - (d) Promote compliance by ROs with their legal obligations to exercise effective control and management over the administration of their activities; and
  - (e) Promote the effective use by ROs of the resources contributed, donated, or endowed whether in cash or property.

### **Duties and Responsibilities**

5. No RO shall:
  - (a) Do anything to impair the sovereignty, security, unity and territorial integrity of Bhutan;

- (b) Engage in any activities that are directly related to public elections;
- (c) Do anything to destroy the peace, stability and well-being of the nation;
- (d) Be involved in any incitement to an offence on the grounds of race, sex, language, religion or region;
- (e) Be involved in political activity;
- (f) Violate the spiritual heritage of Bhutan as expressed in Article 3 of the Constitution;
- (g) Compel any person to belong to another faith, by providing reward or inducement for a person to belong to another faith;
- (h) Engage in activities deemed to be the functions of the State, the Government and its agencies; and
- (i) Operate any commercial business or be organized or operated for financial gain or for any purpose other than the matters concerning the spiritual heritage of Bhutan.

#### **Chapter 4** ***Chhoedey Lhentshog***

##### ***Chhoedey Lhentshog***

- 6. An independent “*Chhoedey Lhentshog*” shall be established under this Act and it shall be the regulatory authority under this Act.
- 7. The *Chhoedey Lhentshog* shall consist of:
  - (a) A Cabinet Minister appointed by the Prime Minister as the chairperson;
  - (b) Tshugla *Lopon* of the *Gedun Dratshang*, who shall be an ex-officio member of the *Chhoedey Lhentshog*;
  - (c) One member from among the five nominated eminent members of the National Council;
  - (d) One eminent Trulku, Khenpo or Lam, nominated by the Lams of the *Nyingma Chhoedey*;
  - (e) One eminent Anim nominated by Heads of *Anim Chhoedey*;
  - (f) One eminent *Pundit* nominated by the *Pundits* of Hindu *Dharmic Samudai*;

- (g) A senior official from the Ministry of Finance appointed by the Finance Minister; and
  - (h) The Director of Culture, Ministry of Home Affairs, who shall ex-officio serve as the member secretary.
8. The quorum for any meeting of the *Chhoedey Lhentshog* shall be two-thirds of the total number of members of the *Chhoedey Lhentshog*.
9. The *Chhoedey Lhentshog* shall meet at least twice a year and additional sessions may be convened, if deemed necessary.
10. All decisions by the *Chhoedey Lhentshog* shall be determined by a simple majority of the members present and voting.
11. The term of office of the members of *Chhoedey Lhentshog* shall be three years and no person shall hold office for more than two terms.

**Functions of the *Chhoedey Lhentshog***

12. The *Chhoedey Lhentshog* shall:
- (a) Endeavour to promote religious harmony and strengthen the spiritual heritage of Bhutan;
  - (b) Prescribe the application form and procedures for the registration of the ROs and endowments;
  - (c) Review and approve all applications, for registration of any RO, which satisfy the requirements of this Act, within six months after such applications are submitted;
  - (d) Provide written reasons for rejecting any application under this Act;
  - (e) Regulate and ensure that construction of religious structures by the ROs adhere to the traditional and cultural designs and heritage of Bhutan;
  - (f) Advise the Government about the general activities and roles of ROs;
  - (g) Encourage and facilitate better internal administration of ROs;
  - (h) Monitor the activities of ROs to ensure their compliance with this Act and with their own Articles of Associations or Charters, and the purposes for which they have been established;

- (i) Institute inquiries either generally or for particular purposes, if the activities of the ROs are not in compliance with this Act or any other relevant laws of the Country;
- (j) Examine the books, records and activities of ROs when required;
- (k) Keep a public register of ROs as described in section 23 of this Act;
- (l) Add or remove any body or institution from the list of registered ROs for violations of this Act or of any other law of Bhutan; and
- (m) Carry out other related responsibilities prescribed in this Act.

**Duties of the *Chhoedey Lhentshog***

13. The *Chhoedey Lhentshog* shall:

- (a) Promote the principles and values of peace, non-violence, compassion and tolerance;
- (b) Strive to create conditions that will enable the true and sustainable development of a good and compassionate society rooted in Buddhist ethos;
- (c) Ensure that religious institutions and personalities promote the spiritual heritage of the country;
- (d) Ensure that religion remains separate from politics in the Country;
- (e) Ensure that religious institutions and personalities remain above politics; and
- (f) Assist the State to preserve, protect and promote the ROs to enrich society.

**Supervision**

14. The *Chhoedey Lhentshog* may on its own motion or upon the application of another person inquire into a ROs’:

- (a) Administration or management;
- (b) Value, condition, management or application of their property or income; or
- (c) Entitlements and privileges, including exemptions from taxes and customs duties.

15. Where an application is made under Section 20, the applicant shall furnish such information in connection with the application as to enable the *Chhoedey Lhentshog* to determine whether there are reasonable grounds for making the inquiry.
16. For the purpose of any inquiry, the *Chhoedey Lhentshog* may require any person to:
  - (a) Furnish accounts and statements in writing with respect to any matter in question at the inquiry;
  - (b) Furnish copies of documents in his custody or under his control which relate to any matter in question at the inquiry; or
  - (c) Attend at a specified time and place and give evidence or produce any such documents.

### **Office**

17. The *Chhoedey Lhentshog* shall establish an office for carrying out its functions and responsibilities under this Act.
18. The *Chhoedey Lhentshog* shall be supported by administrative machinery staffed by civil servants as per the Civil Service Rules and Regulations. The *Chhoedey Lhentshog* may incur expenditures required for carrying out its functions and responsibilities under this Act.

## **Chapter 5 Registration**

### **Registration**

19. Except otherwise exempted by this Act, all ROs and endowments made to the religious institution shall be registered with the *Chhoedey Lhentshog* under this Act.

### **Notification and Application**

20. ROs that have already been established or created shall submit to the *Chhoedey Lhentshog* within three months of the commencement of this Act, a duly completed application for registration except as otherwise exempt under this Act.

21. The *Chhoedey Lhentshog* shall issue a Certificate of Registration upon determining that the application meets the requirements prescribed under this Act.

**Requirements for the establishment of ROs**

22. A Bhutanese citizen may establish a RO by submitting the required documents and information declaring:
  - (a) That he is a Bhutanese citizen as evidenced by a Citizenship Card;
  - (b) The income and assets of himself, his spouse, and dependent children;
  - (c) His bio-data and educational qualifications; and
  - (d) His records of criminal convictions, if any.

**Register**

23. The office established under the *Chhoedey Lhentshog* shall maintain a Register:
  - (a) Recording all ROs;
  - (b) The total amount of the RO's current assets, liabilities, income and expenditures; and
  - (c) An annual record of the total amount of contributions received and made to each RO.

**Effects of Registration**

24. The ROs established under this Act acquire juridical status from the date the *Chhoedey Lhentshog* issues a Certificate of Registration under its official seal.
25. The Certificate of Registration issued by the *Chhoedey Lhentshog* shall be conclusive evidence that the body or institution is duly registered or endowment is made in accordance with this Act unless, it is proved that the registration thereof has been cancelled.
26. In case of an appeal to the Court with regard to registration, the *Chhoedey Lhentshog* shall issue the Certificate based on the decision of the Court.
27. A RO, which has been registered shall discharge its functions and responsibilities in accordance with this Act.

**Cancellation of Registration due to cessation of activities**

28. If a RO has ceased for a period of at least two years to carry out the purposes and activities set forth in its Article of Association, its registration shall be cancelled.

**Contributions and property not used for intended purposes**

29. If money or other property contributed to or owned by a RO is used for other purposes and activities not set-forth in the Articles of Association, charter or agreement at the time of registration, such money or other property shall be ceased to be the property of the RO, and its registration may be cancelled.

**Removal from the register**

30. If the removal of a RO is due to any change in its purpose, the removal shall take effect from the date of that change.
31. A RO, which is for the time being registered under this Act shall be voluntarily removed from the register if it so requests.
32. It is the duty of each registered RO to report to the *Chhoedey Lhentshog*:
- (a) If the organization ceases to exist; and
  - (b) Supply the *Chhoedey Lhentshog* with particulars of any significant change in its purpose or in the information entered in the register.
33. Prior to the cancellation of a RO's registration, its board of trustees shall be given at least three months advance written notice of the intention to cancel the registration, within which period the RO shall be given the opportunity either to resume carrying out the purposes and activities set forth, or else present good reasons why the registration should not be cancelled.

**Exemption from Taxes**

34. A registered RO shall be exempt from the payment of income tax on income or other gains which it has earned as a result of investing its endowed property or other funds in accordance with regulations promulgated by the Department of Revenue and Customs.

35. ROs may be granted exemptions from payment of customs duties or other taxes besides income taxes, on a case by case basis in accordance with regulations and procedures issued jointly by the *Chhoedey Lhentshog* and the Department of Revenue and Customs.

### **Objections to Registration**

36. The *Chhoedey Lhentshog* may refuse to register any organization as a RO where, in its opinion:
- (a) The name of the RO is similar to the name of another institution or other organization or entity as to be likely to mislead the public as to its true identity;
  - (b) The name of the RO is offensive to good morals or national symbols;
  - (c) The application for registration does not comply with the requirements of this Act or any regulations made there under; or
  - (d) The objectives of the proposed RO are in contravention of the provisions of the laws of the Country.
37. Any person, who is or may be adversely affected by the registration of an organization as a RO may on the ground that the organization does not qualify as a RO:
- (a) Object to it being entered by the *Chhoedey Lhentshog* in the register; or
  - (b) Apply to the *Chhoedey Lhentshog* for it to be removed from the register.

### **Responsibilities of ROs**

38. A RO may:
- (a) Adopt or amend Articles of Association which must be submitted to the *Chhoedey Lhentshog* for approval;
  - (b) Sue and be sued in its name;
  - (c) Engage in any lawful undertaking, own property or enter into contracts, including employment contracts for the spiritual advancement of the public;
  - (d) Expand or diversify its current plans and programs by either establishing subsidiaries, affiliating with other ROs or opening branches;

- (e) Accept and receive grants, donations or financial assistance from domestic and external sources upon compliance with all applicable laws and regulations; and
  - (f) Exercise all other rights or responsibilities as authorized by this Act.
39. A RO shall furnish to the *Chhoedey Lhentshog*:
- (a) Two copies of the Article of Association and Memorandum of Association;
  - (b) Code of ethics for all trustees and employees;
  - (c) A written commitment by all Board members and senior staff of the RO to operate within the law in pursuit of the RO's stated mission, goals and business operations; and
  - (d) A declaration that the memorandum and articles of requirements of the Act and the rules made there under have been duly complied with, in respect of registration or matters incidental or supplementary thereto.

## **Chapter 6**

### **Articles of Association and Rules and Regulations**

#### **Articles of Association**

40. Any RO applying for registration shall file with the *Chhoedey Lhentshog* its Articles of Association signed by all the members of its Board.
41. The Articles of Association shall provide:
- (a) The name of the RO;
  - (b) The RO's purpose, objectives and scope of activity;
  - (c) The RO's organizational structure, accountability and reporting responsibilities of its officials and key personnel and its decision-making system;
  - (d) Its types of funding sources and how it proposes to manage its assets;
  - (e) Its intended geographical area of operation and the postal address of its principal office;
  - (f) The names, nationality, and occupation of its incorporators; and
  - (g) Any other relevant information it chooses or is requested to provide that is not inconsistent with this Act.

### **Rules and Regulations**

42. A RO to be registered under this Act shall adopt rules and regulations in accordance with this Act to govern its day-to-day affairs by providing procedures and systems for:
- (a) Management, inventory of property and reporting systems;
  - (b) Source, use, investment and management of funds; and
  - (c) The conduct and operations of the Board.

## **Chapter 7 Management of Religious Organizations**

### **Board of Trustees or Directors**

43. Each RO shall be governed by a board of trustees or directors, hereinafter referred to as the “Board”, in order to promote accountability, transparency and more effective management of ROs.
44. The members of the Board of a RO shall elect from among themselves a chairperson, a secretary and a treasurer.
45. The Board of a RO shall be responsible for:
- (a) The management, investment and use of any movable or immovable property donated or transferred to the RO;
  - (b) Ensuring that all such property and the income therefrom shall only be used for the purposes authorized by the RO’s Articles of Association or Charter; and
  - (c) Any agreement between the RO and a donor which may further restrict the use of a particular donation.

### **Appointment**

46. The Board of a RO shall:
- (a) Select and appoint an Executive Director and any other needed personnel in accordance with fair and objective hiring practices; and
  - (b) Approve the Executive Director’s duties and responsibilities and fix his remuneration by a resolution of a majority of the Board members present at a meeting of the Board.

47. The members of the Board shall maintain the highest standard of ethics, integrity and professionalism in discharging their duties as Board members.
48. All the members of the Board of a RO shall individually and collectively ensure and maintain the integrity of a RO.

### **Meetings and Quorum**

49. The meetings of the Board of a RO shall be held at least once every three months, provided that the secretary serves the notice of meeting at least two weeks in advance.

### **Liability**

50. A Board member or an official of a RO, who willfully and knowingly votes for or assents to patently unlawful acts of the RO shall be guilty of gross negligence or bad faith in directing the affairs of the RO.
51. A person found guilty of the offence of gross negligence or bad faith under Section 50 shall be liable jointly or individually for all damages suffered by the RO.

### **Persons Disqualified from being Board Members**

52. Subject to the provisions of this Act, a person shall be disqualified from being a member of the Board of a RO if he:
  - (a) Has been removed from any office on the ground of any misconduct or mismanagement in the administration of any RO or other corporate bodies;
  - (b) Has been convicted for any criminal offence and sentenced to imprisonment;
  - (c) Has been found to be in arrears of taxes or other dues to the Government for a substantial period and in a substantial amount;
  - (d) Currently holds any senior office or position in a Government-controlled company or organization, unless otherwise exempted by law; or
  - (e) Is disqualified under any law.

53. ROs in Bhutan shall seek the approval of the *Chhoedey Lhentshog* before employing any person, who is not a citizen of Bhutan, whether as paid employees or as volunteers. However, they must ensure that such employment is in compliance with all related laws and regulations of the country including labour and immigration laws. ROs shall bear all responsibility for the actions of such employees and volunteers in their organization.
54. A RO shall observe all the norms and criteria for operations in Bhutan with regard to the fair and objective hiring, employment and human resource management of local employees as per the standards and guidelines established by the relevant public authorities, and shall refrain from arbitrary or other unfair business practices failing which, the concerned RO shall be dealt in accordance with this Act and with other relevant laws of the Country.

## **Chapter 8 Fund Raising**

### **Prohibition**

55. No person or institution shall raise fund or solicit money or other property for a RO, unless he does so in accordance with this Act.
56. Where a person or a institution solicits money or other property as a contribution to a RO, the solicitation shall be accompanied by a statement clearly indicating:
  - (a) The name of the RO concerned; and
  - (b) If there is more than one RO concerned, the proportions in which the ROs will respectively benefit.

### **Sources of Funds**

57. The source of funds or other property of a RO may be from any or all of the following:
  - (a) Donations, grants, subsidies, financial assistance, bequests and other transfers of funds or other property, whether public or private; and
  - (b) Dividends or income from investments or from the sale and lease of property.

### **Foreign Sources of funds**

58. Donations, grants, subsidies, financial assistance and contributions, bequests and other transfers of funds or other property from foreign sources, whether public or private, shall be routed through an authorized Financial Institution of Bhutan.

## **Chapter 9 Religious collections**

### **Small scale RO**

59. Small scale ROs are ROs whose assets are below the amount prescribed by the *Chhoedey Lhentshog*.
60. Small-scale ROs do not need to be formally registered with the *Chhoedey Lhentshog* but it shall be allowed to legally operate upon obtaining written permission from the *Chhoedey Lhentshog*.

### **Religious Charity and Donations**

61. Any person is free to offer any movable or immovable property according to his will to any ROs, whether private or Government as religious endowment provided it is in accordance with this Act.
62. Any charity or donations made to any RO, regardless of the quantity or value shall be recorded.
63. Any charity or donations shall be collected only on the volition of the donor. No collection shall be made under deceit or coercion.
64. No person shall collect or ask for any contribution or charity to aid or help any activity, which is in contravention with the laws of the Country.

### **Restrictions on collections**

65. A collection in a public place must not be conducted, unless the promoters of the collection hold a public collections certificate from the *Chhoedey Lhentshog* and the collection is conducted in accordance with this Act.
66. A door to door collection shall not be conducted, unless the promoters of the collection hold a public collections certificate from the *Chhoedey Lhentshog*.

### **Religious Endowments**

67. All property given or held as religious endowment shall be registered only in the name of the religious institution receiving the endowment and the same shall not be registered in the name of trustees or any individual.

### **Exchange of donated Land not permitted**

68. The donated land registered in the name of *Dratshang, Rabdey*, private and government *Goendeys, Lhakhangs*, etc irrespective of the classification of the land shall be exchanged or substituted as per the Land Act.

### **Requirements for making Endowment**

69. A person intending to donate his property as a religious endowment shall provide an application to the *Chhoedey Lhentshog* mentioning:

- (a) His name, nationality and occupation;
- (b) The name of the institution to whom the property is to be endowed;  
and
- (c) The purpose, objectives and scope of activity.

## **Chapter 10 Merger and Consolidation of ROs**

### **Merger of ROs**

70. Two or more registered ROs with a similar purpose may merge with another and the merged entity shall continue the purposes of the merged ROs.

### **Consolidation of ROs**

71. Two or more registered ROs engaged in similar endeavour may consolidate into a new single registered RO.

### **Decision to Merge and Consolidate ROs**

72. The decision to merge or consolidate a RO, as the case may be, shall require a vote of two-thirds of the board of trustees of the RO.

73. After verification, the *Chhoedey Lhentshog* may approve the merger or consolidation of a RO consistent with the laws of the Country.

## **Chapter 11**

### **Insolvency, Dissolution and Liquidation of ROs**

#### **Insolvency**

74. In the event that a RO is unable to fulfill its financial obligations to creditors due to insolvency, such RO may apply for such remedies as it deems fit under the provisions of the laws of Bhutan.
75. A RO may only be declared insolvent upon the decision of a Court.

#### **Dissolution**

76. A RO established under this Act may be dissolved either voluntarily or involuntarily in accordance with this Act.
77. A RO shall be dissolved:
- (a) If the objectives or activities of the ROs are in contravention of the provisions of the laws of the Country;
  - (b) If it has knowingly received illegal money or assistance from foreign sources;
  - (c) If it has acted against the security, unity and territorial integrity of Bhutan; or
  - (d) Has otherwise violated this Act.

#### **Voluntary Dissolution**

78. In case where dissolution of a RO does not prejudice the rights of any creditor having a claim against such organization, the dissolution may be effected by a vote of two-thirds of the members of the *Chhoedey Lhentshog*.
79. A copy of the resolution authorizing the dissolution shall be signed by the chairperson of the Board of the RO.
80. A copy of the resolution shall be submitted to the *Chhoedey Lhentshog*, which shall thereupon issue a certificate of dissolution. The dissolution shall come into effect on the day and the date of the issuance of the certificate of dissolution.

### **Involuntary Dissolution**

81. A RO may be dissolved by the order of the Court after completion of the judicial process on the grounds of:
- (a) Having obtained its registration by fraud;
  - (b) Operating for an illegal purpose;
  - (c) Willful violation or failure to meet the requirements, despite notice issued by the *Chhoedey Lhentshog*;
  - (d) Insolvency; or
  - (e) Violation of this Act or any other laws of the Country.

### **Disposal and Settlement of Property**

82. In case of dissolution, all necessary steps shall be taken for the proper disposal and settlement of the property of a RO, its claims and liabilities according to the applicable Articles of Association or other rules of the RO.
83. In the event of any dispute arising among the board of the RO, the settlement of its affairs shall be referred to the *Chhoedey Lhentshog* in the first instance. If they cannot be settled by the *Chhoedey Lhentshog*, the matter shall be referred to a Court.

### **Profit upon Dissolution**

84. If upon the dissolution of any RO registered under this Act, after the satisfaction of all its debts and liabilities, any property whatsoever is left, the same shall not be paid to or distributed among the Board members or employees of the said RO but it shall be utilized for project with similar activities in consultation with the Authority.

### **Liquidation**

85. A RO whose Article of Association or Charter expires by their own terms or whose legal existence is terminated either by voluntary or involuntary dissolution shall nevertheless continue as a legal entity for one year after its dissolution has been approved solely in order to:
- (a) Prosecute or defend any suit by or against it;
  - (b) Settle and close its affairs;
  - (c) Dispose of and convey its property; or
  - (d) Distribute its assets.

86. The RO dissolved under the preceding section shall not continue for the purpose of carrying out the purposes, activities or programs for which it was established.

## **Chapter 12**

### **Accounts, Reports and Returns**

#### **Accounting and Reporting System**

87. ROs under this Act shall establish an accounting system in accordance with the Financial Rules and Regulations of the Royal Government of Bhutan.
88. The ROs shall make full disclosure of financial information, including sources of funding, application of funds and audited accounts.
89. The Annual Financial reports shall be submitted to the *Chhoedey Lhentshog*.

#### **Annual Accounts**

90. The accounting records shall contain:
- (a) The total sums of money received and the total expenditures made; and
  - (b) A record of the RO's assets and liabilities.

#### **Annual Audit**

91. The Royal Audit Authority shall conduct an annual audit of the ROs.

#### **Annual Reports**

92. The members of the Board of a RO shall prepare in respect of each financial year, an annual report enclosing:
- (a) A prescribed report by the trustees on the activities of the ROs during that year; and
  - (b) Such other information relating to the ROs or to its trustees or officers as may be prescribed by rules and regulations made under this Act.

## **Chapter 13 Breach of Trust**

### **Breach of Trust**

93. Subject to the provisions of this Act and to the terms of a RO's Articles of Association or Charter, a Board member or officer of the RO, who commits or concurs in a breach of trust, including any undisclosed conflict of interest is liable for any:
- (a) Loss or depreciation in value of the RO's property resulting from the breach; and
  - (b) Profit, income or donations which would have accrued to the RO had there been no breach.
94. A Board member or officer of a RO may not set off a profit accruing from a breach of trust against a loss or depreciation in value resulting in another.
95. A Board member or officer of a RO is not liable for a breach of trust committed by another person prior to his appointment or for a breach of trust committed by a co-Board member or officer of a RO, unless he:
- (a) Becomes aware of the breach; and
  - (b) Actively conceals the breach, or fails within a reasonable time to take proper steps to protect or restore the RO property or prevent the breach.
96. If the Board members or officers of a RO are liable for a breach of trust, they are liable both jointly and severally.
97. A Board member or officer of a RO, who becomes aware of a breach of trust shall take all reasonable steps to have the breach remedied.
98. The property of a RO which has been charged or dealt in the breach of trust, or any property into which it has been converted may be followed and recovered, unless it is no longer.
99. If a Board member or officer of a RO commits a breach of trust at the instigation, at the request with the concurrence of a beneficiary, the Court may impound all or part of the beneficiary's interest by way of indemnity to the Board member or officer of a RO or any person claiming through him.

## **Chapter 14 Code of Conduct**

100. ROs, shall respect indigenous knowledge and customs, individuals' dignity, identity, culture and values.
101. ROs shall be transparent and accountable.
102. ROs shall not be biased or discriminatory in their policies and procedures.

## **Chapter 15 Removal**

103. A member of the Board or an employee of a RO may be removed, if he:
  - (a) Becomes incapable by reason of mental disorder, illness or injury of managing and administering his own affairs;
  - (b) Acts in contravention of the provisions of the laws of the Country;
  - (c) Has knowingly received illegal money or assistance from foreign sources;
  - (d) Has acted against the security, unity and territorial integrity of Bhutan; or
  - (e) Has otherwise violated this Act.

## **Chapter 16 Legal Proceedings**

### **Legal Proceedings**

104. A legal proceeding may be initiated in the name of a RO by its Board or by its legal representatives but not by any other person.

### **Enforcement of Judgment**

105. If a judgment is to be enforced against the person or officer named on behalf of a RO, such judgment shall not be executed against the property, movable or immovable, or against the body of such person or officer, unless such a person or officer is personally found guilty of committing an illegal act or breach of trust.

## **Chapter 17**

### **Offences and Penalty**

#### **False statements**

106. A person shall be guilty of giving false statement, if the person solicits or collects money or other property representing that the organization is a RO registered under this Act, although the organization is not so registered. The penalty of the offence shall be in accordance with the Penal Code of Bhutan.

#### **False or misleading information**

107. A person shall be guilty of providing false or misleading information, if the person knowingly or recklessly provides false or misleading information regarding the information required to be provided under this Act. The penalty of the offence shall be in accordance with the Penal Code of Bhutan.

#### **Breach of Trust**

108. A member of the Board of a RO shall be guilty of a breach of trust, if the Board member, being entrusted with any movable or immovable property of the RO or any property which a person intends to donate, bequeath or otherwise transfer to a RO does any act contrary to the term of his trust and dishonestly misappropriate or converts the property to his own use. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

#### **Misuse of investment**

109. A person, who is an investment manager or custodian selected by the Board under this Act shall be guilty of the misuse of investment, if the person, who is responsible to manage the investment on behalf of the RO, misuses or does not use the investment as provided in the investment guidelines. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

#### **Unlawful collection**

110. A person or organization shall be guilty of unlawful collection, if the person or organization collects any donation or charity without conforming to the provisions of this Act. The penalty for this offence shall be determined according to value-based sentencing in accordance with the Penal Code of Bhutan.

**Illegal fund raising**

111. A person or institution shall be guilty of illegal fund raising, if the person or organization raises fund or solicits money or other property as a charity not in accordance with this Act. The offence of illegal fund raising shall be petty misdemeanour. If the wrongdoer is an institution, such institution shall be fined or have its registration suspended or cancelled, if it is registered.
112. Any funds that are raised in an unauthorized manner shall be returned to the donors, or if the donors cannot be identified or contacted, shall become the property of the Government.

**Chapter 18**  
**Miscellaneous Provisions**

**Rule making power**

113. The *Chhoedey Lhentshog* shall make rules for effective administration and effective implementation of this Act.

**Amendment**

114. The amendment of this Act shall be effected only by Parliament.

**Authoritative text**

115. The Dzongkha text shall be the authoritative text, if there exist any difference in meaning between the Dzongkha and the English text.