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Chapter III

Foreman

18. Procedure in the case of security given by the foreman.—

[(1)(a)] In case of cash deposited in an approved bank in the name of the Registrar under sub-clause (i) of clause (a) of sub-section(1) of Section 20, the receipt or the book issued by the approved bank mentioned in the chit agreement shall be delivered to the Registrar.

[(1)(b) In case of bank guarantee from an approved bank under subclause (ii) of clause (a) of sub-section (1) of Section 20. The said bank guarantee shall be delivered to the Registrar].

(2) In case of Government securities transferred in favour of the Registrar under clause (b) of sub-section (1) of Section 20, the Registrar shall keep them in safe custody under his control in any Government Treasury.

(3) If the security charged is movable property other than deposit in an approved bank or Government securities, the foreman shall make all necessary arrangements for their deposit with the Registrar or with such bank or other agency as may be approved by the Registrar for ensuring that the property deposited is available as security for the proper conduct of a chit.

(4) In the case of trustee securities to be transferred in favour of the Registrar under clause (c) of sub-section (1) of Section 20.

(i) where the security is other than immovable property, the value of the security shall not be less than one and a half times the value of the chit amount, and

(ii) in respect of security of immovable property, the value of the security shall not be less than two times the value of the chit amount.

(5) A foreman of chit proposing to give (movable or immovable property as security for the proper conduct of a chit shall apply to the Registrar in Form X. The application under this sub-rule shall clearly furnish the correct and complete information regarding the property offered as security. In case the property offered is immovable property, the application shall be accompanied by the documents of title to the property and an encumbrance certificate for 30 years relating to the property.

(6) Where the immovable property offered as security is situated outside the jurisdiction of the Registrar having jurisdiction over the chit, the inspection of the property shall where the property is situated outside the State of Tamil Nadu, be made and report sent by the Registrar having jurisdiction over such property under an order special or general of the Government to which he is subordinate, who shall forward a report to the Registrar concerned as to the sufficiency of the security.

(7) If the security offered is accepted as sufficient by the Registrar, he shall record in writing on the application, a certificate of sufficiency in Form XI and attach a statement of the valuation made.

(8) If the security offered is not accepted by the Registrar, he shall give the applicant an endorsement to that effect.

19. Valuation of the chit amount in grain chits.—In grain chit for the purpose of security under Section 20, the grain

shall be valued, by the Registrar as follows:

(a) The total quantity of grain due from all subscribers at one installment of the chits shall be ascertained;

(b) The market value for the time being of the total quantity referred to in clause (a) shall then be calculated;

(c) In assessing the market value, the Registrar shall adopt the current market price at the nearest taluk town as ascertained from the Tahsildar having jurisdiction;

(d) One and a quarter times the market value mentioned in clause (b) shall be taken to be the chit amount for the purpose of furnishing security by the foreman under sub-section 91) of Section 20.

Foreman (20 to 24)

20. Substitution of security.—(1) During the currency of chit, the foreman may apply to the Registrar in Form XII for permission to substitute the security given by him for the proper conduct of the chit by fresh security.

(2) The Registrar may grant permission after satisfying himself--- (i) that the request of the foreman for substitution of the security given under Section 20 is for the reasons stated in the application; and (ii) that the fresh security offered is adequate;

(3) The procedure prescribed in Rule 18 shall apply mutatis mutandis to the substituted security given by the foreman under this rule.

21. Release of original security in case of substitutions.—(1) The Registrar shall if so required by the foreman, execute and register a deed of release in respect of the original security at the cost of the foreman.

(2) If the original security to be returned is Government securities deposited in a Government treasury, the Registrar shall arrange to return the securities offered by the foreman after making endorsements of re-transfer in the passbook (receipt) or Government security (or other record) as the case may be.

(3) If the original security to be returned is movable property other than Government security, the Registrar shall arrange to return such 9 security under proper acknowledgment. He shall, if so required by the foreman execute a deed of transfer or release at the cost of foreman.

22. Application for release of security.—On termination of the chit, the foreman may apply to the Registrar for the release of the security, given by him.

23. Declaration by foreman.—The application for release of security under sub-section (5) of Section 20 shall contain a declaration separately signed by the foreman stating that the claims of all the subscribers have been fully satisfied and that all dues payable by the foreman under the Act to the Registrar or any other officer have been fully paid.

24. Procedure for release of security.—(1)(a) The Registrar may for the purpose of releasing the security under sub-section (5) of Section 20 call upon the foreman to produce a copy duly certified to be a true copy of any register and books of account maintained by the foreman and shall exhibit a notice on his office notice board stating that the security is proposed to be released and that any person objecting to such release may file with the Registrar his statement of objections, if any, within fifteen days from the date of exhibition of the notice;

(b) If no objections are received within the period specified in the notice, the Registrar shall release the security.

(2) If any objections are received, the Registrar shall enquire into the objections summarily within fourteen days after the date of expiry of the period specified in the notice referred to in sub-rule (1)(a) and record his decision in writing and forward a copy thereof to the foreman and to the objector.

(3) The procedure prescribed in Rule 21 for re-transfer of the property by the Registrar shall apply mutatis mutandis to the release of security made under this rule.

Foreman (25 to 27)

25. Books of account to be maintained by the foreman. —In addition to the book of minutes of draws mentioned in Section 17, every foreman shall keep the following registers and books of accounts in the forms mentioned against each or in the forms as near thereto as possible.

(1) A register of subscribers in Form XIII;

(2) A ledger in Form XIV;

(3) A day book in Form XV;

(4) A receipt book in Form XVI duly certified by the Foreman as to the number of pages in duplicate;

(5) A book containing copies of all notices issued by the Foreman to the subscribers;

(6) A file containing the letters of authorization of the subscribers, for subscribing his name in the chit agreement and for participating in the auction of the chit;

(7) A file containing the vouchers for payment made by the foreman;

(8) A file containing documents relating to securities offered by the prized subscribers.

(9) A register in Form XXII showing the amounts deposited in approved banks in respect of all chit conducted by the foreman.

26. Accounts to be written up promptly.—(1) Every entry in the register of subscribers, the ledger or the day book mentioned in Rule 25 shall be made as and when the particular event occurs.

(2) On receipt of any money, a receipt shall immediately be prepared or cause to be prepared by the foreman in Form XVI and delivered to the payer.

(3) The foreman shall at the time of issuing every notice prepare a copy thereof in the book mentioned under clause (5) of Rule 25, certify it to be a true copy and enter therein under his Signature the date of dispatch of the notice.

(4) A voucher duly signed by the recipient shall be obtained by the foreman at the time any payment is made to him and such voucher shall be immediately filed in the file specified in clause (7) of Rule 25 after due verification of all the particulars entered therein.

(5) Every document relating to the security given by prized subscribers shall as soon as it is received be filed in the file mentioned in clause (8) of Rule 20. The file shall contain an index for facilitating the scrutiny of the documents.

27. Filing of vouchers.—As soon as each payment is made the foreman shall obtain a voucher from the payee. He shall verify whether the voucher specifies the proposed for which the payment was received and whether it is properly signed by the recipient and preserve it in the file mentioned in clause (7) of Rule 25 after assigning a serial number thereto
for each calendar month.

Foreman (28 to 31)

28. Date for submission of balance sheet.—(1) The balance sheet referred to in Section 24 shall be prepared within period of two months from the expiry of the period with reference to which it is prepared.

(2) receipts and expenditure account and statement showing the assets and liabilities of the individual chit group shall be filed in the Form XXI with Registrar within a period of two months from the termination of the chit when the duration of the chit does not exceed one year and when the duration of chit exceeds one year on expiry of every period of twelve months and also on the termination of the chit.

29. Audit by a chit auditor.—(1) If a foreman desires to have the balance sheet and profit and loss account audited by a chit auditor appointed under sub-section (2) of Section 61, the foreman shall immediately after the preparation of the balance sheet make an application for such audit to the Registrar within whose jurisdiction the chit is conducted, specifying whether the audit shall be at the premises of the foreman or not. The application shall be accompanied by the amount of fee set out in appendix II.

(2) The Registrar shall forward the application to the concerned Chit Auditor to have the balance sheet and profit and loss account and receipt and expenditure account of the individual chit audited by him as early as possible. On receipt of the application, the chit auditor shall call upon the foreman to produce the chit records on such date, time and place as he may fix and the foreman shall produce all registers, books of accounts and other records relating to the chit accordingly and furnish such information and give such facilities as may be necessary or required for the proper

audit of the balance sheet and profit and loss account and receipt and expenditure account of individual chit at the time and place fixed by the chit auditor.

(3) Notice of not less than seven days shall be given to the foreman as to the date of audit in the premised of the foreman or for the production of registers, books of account and other records relating to the chit business, as the case may be.

30. Audit certificate and report of the chit auditor to be in quadruplicate.—The chit auditor shall prepare his report and audit certificate in quadruplicate and shall send two copies to the foreman so that he can keep one copy with him and file the other copy under Rule 31, the third copy to the Registrar and keep the remaining copy for his own file.

31. Time for filing balance sheets audited by a chit auditor or other auditors:- (1) Where the audit is done by the chit auditor. the foreman shall file with the Registrar a copy of balance sheet and profit and loss account together with the audit certificate and the Auditor’s report within one month from the date of the receipt of the audit certificate and
audit report from the chit auditor or within three months from the last day of the period covered by the balance sheet whichever is earlier.

(2) In the case of audit by an auditor qualified to act as auditor of companies under the Companies Act, 1956 (Central Act 1 of 1956), the foreman shall file with the Registrar the documents referred to in sub-rule (1) within three months from the last date of the period covered by the balance sheet prepared under Section 24 and in the case of individual chit as referred to sub-rule (2) of Rule 28 within a period of two months.