CHAPTER II - Registration of chits

- Registration Of Chits, Commencement And Conduct Of Chit Business (4 to 6)
- Registration Of Chits, Commencement And Conduct Of Chit Business (6 to 7)
- Registration Of Chits, Commencement And Conduct Of Chit Business (8 to 11)
- Registration Of Chits, Commencement And Conduct Of Chit Business (12 to 15)
- Registration Of Chits, Commencement And Conduct Of Chit Business (16 to 19)

Registration Of Chits, Commencement And Conduct Of Chit Business (4 to 6)

Registration Of Chits, Commencement And Conduct Of Chit Business

4.Prohibition of chits not sanctioned or registered under the Act.-

(1) No chit shall be commenced or conducted without obtaining the previous sanction of the State Government within whose jurisdiction the chit is to be commenced or conducted or of such officer as may be empowered by that Government in this behalf, and unless the chit is registered in that state in accordance with the provisions of this Act: Provided that a sanction obtained under this sub-section shall laps if the chit is not registered within twelve months from the date of such sanction or within such further period or periods not exceeding six months in the aggregate as the State Government may, on application made to it in this behalf, allow.

(2)An application for the purpose of obtaining a sanction under subsection (1) shall be made by the foreman in such form and in such manner as may be prescribed.

(3)The previous sanction referred to in subsection (1) may be refused, if the foreman, -

(a)had been convicted of any offence under this Act or under any other Act regulating chit business and sentenced to imprisonment for any such offence; or

(b)had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder; or

(c)had been convicted of any offence involving moral turpitude and sentenced to imprisonment for any such offence unless a period of five years has elapsed since his release :

Provided that before refusing any such sanction, the foreman shall be given a reasonable opportunity of being heard.

(4)The order of the State Government, and, subject to the provisions of sub-section (5), the order of the officer empowered under sub-section (1), issuing or refusing previous sanction under this section shall be final.

(5)Any person aggrieved by the refusal to issue previous sanction by an officer empowered under sub-section (1) may appeal to the State Government within thirty days of the date of communication to him of such refusal and the decision of that Government on such appeal shall be final.

5. Prohibition of invitation for subscriptions except under certain conditions.- No person shall issue or cause to be issued any notice, circular, prospectus, proposal or other document inviting the public to subscribe for tickets in any chit unless such notice, circular, prospectus, proposal or document contains a statement that the previous sanction required under section 4 has been obtained and the particulars of such sanction.

6. Form of chit agreement.- (1) Every chit agreement shall be is duplicate and shall be signed by each of the subscribers or by any person authorised by him in writing and the foreman and attested by at least two witnesses and it shall contain the following particulars, namely:-

(a) full name and residential address of every subscriber;

(b)the number of tickets including the fraction of a ticket held by each subscriber;

(c)the number of installments, the amount payable for each ticket at every installment and the interest or penalty, if any, payable on any default in the payment of such installments;

(d)the probable date of commencement and the duration of the chit;

(e)the manner of ascertaining the prizing subscriber at each installment;

(f)the maximum amount of discount which the prized subscriber has to forego at any installment;

(g)the mode and proportion in which the discount is distributable by way of dividend, foreman's commission or remuneration or expenses for running the chit, as the case may be;

(h) the date, time and place at which the chit is to be drawn;

(i) the installment at which the foreman is to get the chit amount;

(j) the name of the approved bank in which chit money shall be deposited by the foreman under the provisions of this Act;

(k) where the foreman is an individual, the manner in which a chit shall be continued when such individual dies or becomes unsound mind or is otherwise incapacitated;

(l) the consequences to which a non-prized or prized subscriber or the foreman shall be liable in case of violation of any of the provisions of the chit agreement;

Registration Of Chits, Commencement And Conduct Of Chit Business (6 to 7)

(m) the conditions under which a subscriber shall be treated as a defaulting subscriber;

(n) the nature and particulars of the security of to be offered by the foreman;

(0)the dates on which and time during which the foreman shall, subject to the provisions contained in section 44, allow inspection of chit records to non-prized and unpaid prized subscribers;

(p) the names of the nominees of each subscriber, that is to say, the names of the persons to whom the benefits accruing to the subscriber under the chit may be paid in the case of the death of the subscriber or when he is otherwise incapable of making an agreement;

(q) any other particulars that may, from time to time, be prescribed.

Explanation: - For the purposes of this sub-section, it shall be sufficient if the signature of each subscriber is obtained in separate copies of the agreement.

(2)The duration of a chit shall not extend beyond a period of five years from the date of its commencement;

Provided that the State Government may permit the duration of a chit up to a period of ten years if it is satisfied that it is necessary so to do, having regard to,-

(a) the financial condition of the foreman;

(b)his methods of operation;

(c)the interests of prospective subscribers;

(d)the requirements as to security; and

(e)such other factors as the circumstances of the easy may require.

(3)The amount of discount referred to in clause (f) of sub-section (1) shall not exceed their per cent, of the chit amount.

(4)Where the prized subscriber at any installment of the chit is required to be determined by auction and more than one person offer the maximum discount, the prized subscriber shall be determined by lot.

7.Filing of chit agreement

(1)Every chit agreement shall be filed in duplicate by the foreman with the Registrar.

(2)The Registrar shall retain one copy of the chit agreement and return the duplicate to the foreman with an endorsement that the chit agreement has been registered:

Provided that the Registrar may refuse to register the chit agreement on may one or more of the following grounds, namely:-

(a) that the security offered by the foreman under section 20 is insufficient;

(b)that the foreman had been convicted of any offence under this Act or under any other Act regulating chit business and sentenced to imprisonment for any such offence;

(c)that the foreman had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder;

(d)that the foreman had been convicted of any offence involving moral turpitude and sentenced to imprisonment for any such offence unless a period of five years has elapsed since his release: Provided further that before refusing to register a chit under the first proviso, the foreman shall be given a reasonable opportunity of being heard.

(3)Every endorsement made under sub-section (2) shall be conclusive evidence that the chit is duly registered under this Act and the registration of a chit shall lapse if the declaration by the foreman under sub-section (1) of section 9 is not filed within three months from the date of such endorsement or within such further period or periods not exceeding three months in the aggregate as the Registrar may, on application made to him in this behalf, allow.

Registration Of Chits, Commencement And Conduct Of Chit Business (8 to 11)

8. Minimum capital requirements for the commencement, etc., of a chit, and chit, and creation of a reserve fund by a company.-

(1) Notwithstanding anything contained in the Companies Act, 1956, but subject to the provisions of this Act, a company shall not commence or carry on chit business unless it has a paid-up capital of not less than rupees one lakh.

(2) Every company having a paid-up capital of less than rupees one lakh and carrying on chit business on chit business on the commencement of this Act, shall, before the expiry of a period of three years from such commencement, increase its paid-up capital to not less than rupees one lakh.

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of three years in respect of any company by such further period at periods not exceeding two years in the aggregate:

Provided further that no such company shall commence any new chit the duration of which would extend beyond the said period of three years or such extended period or periods under the first provision unless it increases its paid-up capital to not less than rupees one lakh.

(3)Every company carrying on chit business shall create and maintain a reserve fund and shall, out of the balance of profit of each year as disclosed in its profit and loss account and before any dividend on its shares is declared, transfer to such reserve fund, a sum equal to not less than ten per cent, of such profit.

(4)No company shall appropriate any sum or sums from the reserve fund except with the prior approval of the Registrar and for the purpose of obtaining such approval, it shall an application in the prescribed form to the Registrar explaining the circumstances relating to such appropriation.

9.Commencement of chit.-

(1) Every foreman shall, after all the tickets specified in the chit agreement are fully subscribed, file a declaration to that effect with the Registrar

(2)As soon as may be after a declaration is filed under sub-section (1), the Registrar shall, after satisfying himself that all the requirements r relating to sanction, registration of chit and other matters have been duly complied with, grant a certificate of commencement to the foreman.

(3)No foreman shall commence any auction or the draw of any chit or appropriate any chit or appropriate any chit amount unless a certificate of commencement referred to in sub-section (2) is obtained by him.

10.Copies of chit agreement to be given to subscribers.-

(1) A foreman shall, as soon as may be after he has obtained the certificate of commencement under sub-section (2) of section 9, but not later than the date of the first draw of the chit, furnish to every subscriber, a copy of the chit agreement certified to be a true copy.

(2)A foreman shall, within fifteen days after the close of the month in which the draw for the first installment of the chit is held, file with the Registrar, a certificate to the effect that the provisions of sub-section (1) have been complied with.

11. Use of the words chit, chit fund, chitty or kuri.-

(1) No person shall carry on chit business unless he uses as part of his name any of the words "chit fund", "chitty" or "Kuri" and no person other than a person carrying on chit business shall use as part of his name any such word.

(2) Where at the commencement of this Act,-

(a) any person is carrying on chit business without using as part of his name any of the words specified in sub-section (1); or

(b) any person not carrying on chit business is using any such word as part of his name, he shall, within a period of one year from such commencement, add as part of his name any such word or, as the case may be, delete such word from his name:

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of one year by such further period or periods not exceeding one year in the aggregate.

Registration Of Chits, Commencement And Conduct Of Chit Business (12 to 15)

12.Prohibition of transacting business other than chit business by a company.-

(1) Except with the general or special permission of the State Government, no company carrying on chit business shall conduct any other business.

(2) Where at the commencement of this Act, any company is carrying on any business in addition to chit business, it shall wind up such other business before the expiry of a period of three years from such commencement: Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of three years by such further period or periods not exceeding two years in the aggregate.

13. Aggregate amount of chits.-

(1) No foreman, other than a firm or other association of individuals of a company or co-operative society, shall commence or conduct chits, the aggregate chit amount of which at any time exceeds twenty-five thousand rupees.

(2)Where the foreman is a firm or other association of individuals, the aggregate chit amount of the chit conducted by the firm or other association

shall not at any time exceed,-

(a) where the number of partners of the firm or the individuals constituting the association is not less than four, a sum of rupees one lakh;

(b) in any other case, a sum calculated on the basis of twenty-five thousand rupees with respect to each partner or individual.

(3)Where the foreman is a company or co-operative society, the aggregate chit amount of the chits conducted by it shall not at any time exceed ten times the net owned funds of the company or the co-operative society, as the case may be.

Explanation.- For the purposes of this sub-section, "net owned funds" shall mean the aggregate of the paid-up capital and free reserves as disclosed in the last audited balance sheet of the company or co-operative society, as reduced by the amount of accumulated balance of loss, deferred revenue, expenditure and other intangible assets, if any, as disclosed in the said balance sheet.

14.Utilisation of funds.-

(1) No person carrying on chit business shall utilise the money collected in respect of such business (other than commission or remuneration payable to such person or interest or penalty, if any, received from a defaulting subscriber), except for-

(a) carrying on chit business; or

(b)giving loans and advances to non-prized subscribers on the security of subscriptions paid by them; or

(c)investing in trustee securities within the meaning of section 20 of the Indian Trusts Act, 1882; or

(d)making deposits with approved banks mentioned in the chit agreement.

(2) Where any person carrying on chit business has utilised the money collected in respect of such business before the commencement of this Act, otherwise than for the purposes specified in subsection (1), he shall secure that so much of such money as have not been realised before such commencement are realised before the expiry of a period of three years from such commencement:

Provided that the State Government may, if it considers it necessary in the public interest to avoid any hardship, extend the said period of three years by such further period or periods not exceeding one year in the aggregate.

15. Alteration of chit agreement.- A chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

Registration Of Chits, Commencement And Conduct Of Chit Business (16 to 19)

16. Date, time and place of conducting chits.-

(1) Every draw in a chit shall be held on the date, at the time and place mentioned in the chit agreement and a notice therefore in such form and in such manner as may be prescribed shall be issued by the foreman to all the subscribers.

(2)Every such draw shall be conducted in accordance with the provisions of the chit agreement and in the presence of not less than two subscribers.

(3)Where any draw was not conducted on the ground that two subscribers were required to be present at a draw under sub-section (2) were not present or on any other ground, the Registrar may, on his own motion or on an application made by the foreman or any of the subscribers, direct that the draw shall be conducted in his presence or in the presence of any person deputed by him.

17. Minutes of proceedings.-

(1) The minutes of the proceedings of every draw shall be prepared and entered in a book to be kept for that purpose immediately after the closure of the draw and shall be signed by the foreman, the prized subscribers, if present, or their authorized agents, and at least two

other subscribers who are present, and where a direction has been made under sub-section (3) of section 16, also by the Registrar or the person deputed by him under that sub-section.

(2) The minutes referred to in sub-section (1) shall state clearly-

(a) the date and hour when proceedings began and ended and the place where the draw was held;

(b)the number of the installment of the chit to which the proceedings relate;

(c)the names of the subscribers present;

(d)the person or persons who become entitled to the prize amount in the installment;

(e)the amount of discount;

(f)full particulars regarding the disposal of the unpaid prize amount, if any, in respect of any previous installment; and

(g)any other particulars that may be prescribed.

18. Copies of minutes to be filed with Registrar.- A true copy of the minutes of the proceedings of every draw certified as such by the foreman shall be filed by the foreman with the Registrar within twenty-one days from the date of the draw to which it relates.

19. Restriction on opening of new place and business.-

(1) No person carrying on chit business shall open a new place of business without obtaining the prior approval of the Registrar within whose territorial jurisdiction his registered office of, as the case may be, the place or the principal place of business is situated.

(2)Before granting approval under sub-section (1), the Registrar shall consult the Registrar of the State within whose territorial jurisdiction the new place of business is proposed to be opened and shall also keep in view the financial condition and methods of operation of the foreman, the extent to which public interest will be served by the opening of the new place of business and such other matters as may be prescribed.

(3)Where a person carrying on chit business opens a new place of business in a State other than the State (hereinafter referred to as the State of origin) in which his registered office or the place or the principal place of his business is situated, the Registrar of the State in which such new place of business is opened may also exercise and perform any of the powers and functions which the Registrar of the State of origin may exercise and perform in respect of the chit business carried on at such new place of business.

(4)For the purposes of this section, "place of business" shall include any branch office, sub-office, or any place of business where the chit business may be conducted by such person.