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.

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