

Kerala Chit Funds Rules, 2012.

(KCFR, 2012)

There are **8 chapters, 64 rules, 120 sub rules, 2 explanations, 28 forms and 1 Appendix** in KCFR , 2012

Chapter I

Rule 1. Short title and commencement

These rules may be called the **Kerala Chit Funds Rules, 2012**

Government Notification no. **G.O. (P) No. 94/2012/ TD dated 04-06-2012**

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Kerala Chit Funds Rules, 2012 come into force on **05-06-2012**

Rule 2. (Sub rule 1) Definitions

- a). **Act**” means the Chit Funds Act, 1982 (Central Act 40 of 1982);
- b). **“Appendix”** means Appendix I or as the case may be Appendix II to these rules
- c). **“Assistant Registrar ’** means an Assistant Registrar of Chits appointed under **section 61** of the Act
- d). **authorised agent”** means a person duly authorised by a power of attorney executed and authenticated or registered in accordance with the provisions of the Registration Act, 1908 (Central Act XVI of 1908) or a person authorised by a letter of authorisation specified in Form XXA in Appendix I to these Rules by the person concerned
- e). **“Deputy Registrar”** means a Deputy Registrar of Chits of the District and includes, the Deputy Registrar of Chits in the office of the Registrar
- g). **“Form”** means a Form in Appendix I to these Rules
- h). **“section”** means a section of the Act CFA 1982

Chapter II

Rule 3. Appointment of Officers

- a).The **Inspector General of Registration** appointed under the **Registration Act, 1908 Act XVI of 1908)** shall be the **(Central Act XVI of 1908) Registrar of Chits**
- b).An **Additional Registrar of Chits, a Joint Registrar of Chits and a Deputy Registrar of Chits** shall also be appointed in the office of the Registrar to assist the Registrar
- c).Every **District Registrar (General)** of the Registration Department shall be the **ex-officio Deputy Registrar of Chits** of the respective Districts and he shall be the **“Authorised Officer”** for the purpose of section 4 of the Act
- d).Every **Sub-Registrar** appointed under the **Registration Act, 1908 (Central Act XVI of 1908)** shall be the **ex-officio Assistant Registrar of Chits** within the local limits of his jurisdiction
- e).An **“Inspector of Chits”** and a **“Chit Auditor”** shall be appointed by the **State Government** for each District.

Chapter III

Rule 4. Application for obtaining previous sanction for commencement or conduct of chit

Sub rule 1).Every application for obtaining previous sanction for the commencement or conduct of a chit under section 4 of the Act shall be in **Form I**

Addressed to **The Deputy Registrar of Chits**

Submitted to **The Assistant Registrar of Chits**

Sub rule 5).The **Deputy Registrar** may either accord or refuse to accord sanction

Rule 5. Communication of refusal to sanction commencement or conduct of a chit

Subrule 2). The **Deputy Registrar** shall issue a notice to the foreman calling up on him to show cause within **thirty days** as to why the sanction should not be refused

Rule 6. Application for registration of chits

Every application for registration of a chit agreement to be made by the foreman to the Assistant Registrar of chits shall be in **Form II**.

The chit agreement shall be presented by the foreman either in person or through his authorised agent.

Rule 7. Endorsement of registration of a chit

The endorsement of registration of a chit agreement to be issued by the Assistant Registrar of chits shall be in **Form III**

Rule 8. Registration Number of Chit

Every chit registered under the Act shall be numbered serially by the Assistant Registrar of chits in separate series for each calendar year

Rule 9. Communication of the refusal to register a chit

Rule 10. Application for appropriation of any sum from the reserve fund

Every application for obtaining prior approval of the Assistant Registrar of chits for appropriation of any sum by a company from the reserve fund shall be in **Form IV**

Rule 11. Declaration to be filed about subscriptions to all tickets of a chit.

Every declaration to be filed by a foreman after all tickets in a chit specified in the chit agreement have been fully subscribed shall be in **Form V**

Rule 12. Form of Certificate of commencement of Chit.

The Certificate of commencement of a chit to be granted to the foreman shall be in **Form VI**

Rule 13. Form of Certificate for furnishing a copy of chit agreement to the subscribers of a chit

Sub rule 1) The certificate by the foreman about having furnished a copy of the chit agreement to every subscriber of a chit to be filed with the Assistant Registrar of chits shall be in **Form VII**

Sub rule 2) Every foreman shall before the first draw of the chit, furnish to each subscriber a pass book bearing the seal of ARC.

Rule 14. Form of chit agreement

The chit agreement of every chit started under the Act shall, as far as may be, confirm to the proforma set forth in **Form VIII**.

Rule 15. Registration of alteration, addition or omission of any provision in chit agreement.

Rule 16. Date of effect of alteration or addition or omission of any provision in the chit agreement

Rule 17. Form of notice to chit subscriber

Every notice to be given by a foreman to the subscribers in a chit under section 16 shall be in **Form IX**.

Rule 18. Form of minutes of proceedings.

The minutes of proceedings of every draw shall be in **Form XX**

Chapter IV

Rule 19. Procedures in the case of security given by the foreman

Subrule 1). In the case of cash deposited in an approved bank in the name of the Assistant Registrar of chits under clause (a) of sub-section (1) of section 20, the receipt shall be delivered to the **Assistant Registrar of chits**

Sub rule 2). In the case of Government securities the Assistant Registrar of chits shall keep them in safe custody under his control in any **Government Treasury**

Sub rule 3). If the security charged is movable property the foreman shall deposit with the Assistant Registrar of chits or with such bank or other agency as may be approved by the **Assistant Registrar of chits**

Sub rule 4). In the case of trustee securities to be transferred in favour of **Assistant Registrar of chits**

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,

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.

Sub rule 5). The rate of interest payable by a defaulting subscriber in pursuance of the proviso to sub-section (1) of section 28 of the Act shall be **twelve per cent per annum**

Rule 20. Application for certificate of sufficiency of security

Sub rule 1). A foreman under section 4, apply in **Form X** with the prescribed fee and a copy of the chit agreement of the proposed chit, to the Assistant Registrar of chits

Sub rule 2). If the security proposed/offered is immovable property, application shall also be accompanied by the original documents of title to the property and a certificate of encumbrance for a period of **thirty years** preceding the date of application

Sub rule 10). the property is acceptable as security the foreman shall execute necessary **security bond in favour of the Assistant Registrar of chits** charging the property as security under sub-section (1) of section 20 and get it duly registered under the Registration Act, 1908 (Central Act XVI of 1908)

Sub rule 12). If the ARC is satisfied of the sufficiency of security, he shall issue a certificate of sufficiency of security in **form no. XI**

Rule 21 Valuation of chit amount in grain chits

Rule 22. Substitution of Security

Sub rule 1). During the currency of a chit, the foreman may apply to the Assistant Registrar of chits in **Form XII** for permission to substitute the security given by him for the proper conduct of the chit, by fresh security

Rule 23. Procedure for release of original security in acceptance of fresh security

Rule 24. Application for release of security on termination of the chit

On termination of the chit, the foreman may apply to the Assistant Registrar of chits for the release of the security given by him.

Rule 25. 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 Assistant Registrar of chits or any other officer have been fully paid

Rule 26. Procedure for release of security on termination of the chit.

Rule 27. Books of accounts to be maintained by the Foreman

In addition to the book containing the minutes of the proceedings of draws mentioned in section 17, every foreman shall keep the following registers and books of accounts in the forms mentioned namely:

- (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 duplicate in Form XVI duly certified by the foreman as to the number of pages.
- (5) A book containing copies of all notices issued by the foreman to the subscribers.
- (6) A file containing the letters of authorisation 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

Rule 28. Accounts to be written up promptly

Rule 29. Filing of vouchers

Rule 30. Date for submission of balance sheet

Sub rule 1). The balance sheet prepared in accordance with the provisions of section 24 shall be filed with the Registrar within a period of **three months** from the expiry of the period with reference to which it is prepared

Subrule 2). Receipts and Expenditure account and statement showing the assets and liabilities of the individual chit group shall be filed in the Form XXVIII with the 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.

Rule 31. Audit by a Chit Auditor

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

Rule 32. 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 one copy to the **foreman**, the second copy to the **Assistant Registrar of chits**, the third copy to the **Inspector of Chits** and keep the remaining copy in his own file.

Rule 33. Time for filing balance sheet audited by a Chit Auditor or other Auditors.

Sub rule 1). The foreman shall file with the Assistant Registrar of chits a copy of the 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

Sub rule 2). In the case of Audit by an Auditor qualified to act as auditor of companies under the Companies Act 1956 (Central Act, 1of 1956), the foreman shall file with the Assistant Registrar of chits within **three months** from the expiry of the period and in the case of individual chit within a period of **two months**.

Chapter V

Rule 34. Form of petition for winding up and presentation

Rule 35. Proposals for collection and distribution of chit assets

Rule 36. Set-off to be allowed.

When money is due from the foreman to a subscriber and also from the subscriber to the foreman, the subscriber shall be allowed the benefit of a set-off

Rule 37. Hearing of objections to the provisional statement

Rule 38. Final orders of settlement by Registrar

1. The final orders passed by the Registrar under this rule shall be conclusive evidence of the several claims to be met out of the chit assets

Rule 39. Provision for expenses of winding up

Sub rule 1). In making proposals for the distribution of the chit assets, the Receiver shall specify the estimated amount of the cost of winding up including remuneration for the Receiver and such estimated amount shall first be provided for and deducted from the value of the chit assets

Rule 40. Filing of final accounts by Receiver

Rule 41. Final order of winding up by the Registrar

Rule 42. Disposal of records

Rule 43. Meetings

Chapter VI

Rule 44. Table of fees

The fees payable to the ARC for the matters specified in section 62 and section 63 shall be as set out in Appendix II and shall be paid in cash.

Rule 45. Receipt for fees

The ARC shall issue receipts for all the fees received by him.

Rule 46. Refund of fees.

The ARC may refund any fee paid to him in excess of the amount prescribed or any fee that is unearned.

Explanation -The expression “ fee that is unearned” in this rule means fees paid in connection with the Registration of the chit agreement, the filing of a document or other service to be performed by the Registrar but such registration or filing is not actually effected or the service is not actually rendered.

Chapter VII

Rule 47. Reference of dispute

A reference of a dispute under section 64 shall be made in writing to the Registrar in Form XVII

Rule 48. Registrar's satisfaction regarding the existence of a dispute

Rule 49. Disposal of a dispute or reference to a nominee.

Rule 50. Qualifications for appointment as Registrar's nominee

No person shall be eligible for appointment as a nominee unless he holds a degree in Law from a University recognized by the Government of Kerala and holds office as a Deputy Registrar or District Registrar or Sub-Registrar in the Registration Department.

Rule 51. Procedure for hearing and decision of disputes.

Rule 52. Issue of summons or notices in connection with the disputes

Rule 53. Investigation of claims and objections against any attachment

Rule 54. Procedure for the custody of property attached under section 68

Rule 55. Procedure for attachment and sale of property for realization of any security given by person in course of execution proceeding

Rule 56. . Issue of proclamation prohibiting private transfer of property

Rule 57. Procedure for execution of awards

Rule 58. Transfer of property which cannot be sold

Rule 59. Payment of fees for decision of disputes

Explanation-'Simple money claims' means the claims of a foreman whose business consists of conducting chits including disbursement of prize amounts based on loan bonds, promisory notes, admissions or acknowledgements.

'Complicated money claims' means all money claims other than simple money claims.

Chapter VIII

Rule 60. Appeal to be in writing

Appeal to the State Government shall be in the form of a memorandum which shall be affixed with court fee stamps of Rs. 150/-

Rule 61. Hearing and disposal of the appeal

Rule 62. Period of retention of records by the Registrar

The records of a chit including registers and books of account shall be preserved in the office of the Registrar for **12 years** from the release of the security in the case of chits which are terminated

Rule 63. Register of records kept

Sub rule 1). Every Assistant Registrar of chits shall keep a separate register in which all the particulars of the records relating to chits registered in his office should be entered in **Form XXI**.

Sub rule2). (a) A Register of Securities in **Form XXII**;

(b) A Register of fees realized, in **Form XXIII**;

(c) A Register of fees collected for compounding of offence in **Form XXIV**; and

(d) A Register of Prosecutions in **Form XXV**.

Sub rule 3). The Deputy Registrar of Chits of the District who is authorized to accord previous sanction under section 4 shall maintain in his office a Register of application for previous sanction to commencement or conduct of chitties in **Form XXVI**.

Sub rule 4). A Register of prosecutions sanctioned shall be maintained in **Form XXVII** by the officer authorised to issue sanction for prosecution.

Sub rule 5). **The Chief Ministerial Officer** shall be responsible for the proper

maintenance of the registers and accounts specified in sub-rules (1) to (4).

Rule 64. Compounding of offences arising under the Act

Sub rule 1). Any Officer empowered by the State Government shall issue a show cause notice under sections 76 or 77 of the Act against any person who has committed, or reasonably suspected to have committed any offence under the Act, asking him to show cause within period of fifteen days.

Documents to be submitted by KSFE Branches for Registration of new chit

- 1) Details of prior sanction
- 2) Two sets of chit agreements (Original and Duplicate) in form no. VIII
- 3) Forms II, III, V, VI, VII, X & XI
- 4) Specified number of pass books
- 5) Address list
- 6) Treasury FD receipt (original)
- 7) Prescribed Fees

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|---------------------------------------|--------------|
| Upto and including chit amount 1 lakh | -- Rs. 287/- |
| Chit amount above 1 lakh | -- Rs. 787/- |
- 8) Stamp paper

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|------------------------------|----------------------|
| For original chit agreement | -- 5% of chit amount |
| For duplicate chit agreement | -- Rs. 500/- |

Documents to be returned from SRO after registration of new chit

Form III - Endorsement or Certificate of Registration
Form VI - Certificate of commencement of chit
Form XI - Certificate regarding sufficiency of security
Original chit agreement bearing seal & signature of ARC
Pass books bearing seal of ARC
Fees receipts