

HOW TO START A CHIT GROUP

As per provisions of the Chit Funds Act,1982, no person shall commence or conduct any chit or publish any notice, circular, prospectus, proposal or other document inviting the public to subscribe for tickets in any chit unless previous sanction of the Registrar, Chit Funds, Delhi has been obtained and thereafter a certificate of commencement under section 9(1) of the Chit Funds Act,1982 is issued in Form VII of Delhi Chit Funds Rules,2007.

Therefore, whenever a chit fund company registered with the Chit Fund Department wishes to start a new chit group, it has to follow the procedure as detailed below:-

FIRST STEP : **To get certificate of Previous Sanction**

Following documents are required to be submitted in the office of RCF for the above purpose:-

1. Application form in **Form I** alongwith the annexure,
2. Receipt of Rs.100/- deposited in the Chit Fund Department as prescribed fee,
3. A copy of resolution of Board of Director regarding conduct of the chit and authorization of a Director/officer of the company to represent on behalf of the foreman company,
4. Details of all the present Directors of the company alongwith their signatures,
5. Self certified copies of PAN Cards of all the Directors,
6. A certified copy of Memorandum and Article of Association of Association,
7. A certified copy of latest audited Balance Sheet of the company,
8. A certificate from the company CA regarding the Net Owned Funds of the company as per section 13 of the Chit Funds Act,1982,
9. A copy of bye-laws of the proposed chit(**see specimen bye-laws below**) ,
10. Security in the shape of either an FDR in favour of the Registrar, Chit Funds, Delhi representing 100% of the chit value or an FDR representing 50% of the value of chit value and a Bank Guarantee representing 50% of the chit value,
11. Details of chit groups run by the company under the Madras Chit Funds Act,1961 and the Chit Funds Act,1982 separately,
12. A copy of specimen chit agreement(**see specimen chit agreement below**),
13. Affidavit in the prescribed proforma (**see prescribed proforma below**), &
14. Self-certified copies of PAN Cards of all the Directors.

After completion of requisite formalites, Previous Sanction is granted by the Registrar, Chit Funds to the chit fund company in **Form II**.

SECOND STEP : **To obtain a Certificate of Endorsment of Registration of Chit Agreement**

Following documents are required to be submitted in the office of RCF for the above purpose:-

1. Application for registration of chit agreement in **Form III**,

2. Chit agreements in duplicate, duly attested with adhesive stamps of five rupees on both copies and stamped by the Collector of stamps, Delhi,
3. Non-judicial stamp papers worth one per cent of chit amount purchased in favour of the company being the registration fees, &
4. A list of subscribers, in duplicate, with their names, father's/husband's names, complete address and ticket number.

The chit fund company has to keep in mind the following things before enrolment of subscribers that :

- a) All the subscribers should be adults,
- b) All the subscribers must be having their regular source of income,
- c) In case of a Company applying for a subscription, it shall subscribe for only one ticket in one particular chit group,
- d) No person can subscribe for more than two tickets in one particular chit group,
- e) In case chit fund company subscribes to a ticket in the chit group, in the absence of any provision in the chit agreement to the contrary, it can obtain the chit amount at the first instalment without deduction of the discount specified in the chit agreement, &
- f) No Director of Chit Fund Company is allowed to subscribe a ticket in the chit group in his/her own name.

After completion of requisite formalities, a certificate regarding Endorsement of Registration Of A Chit Agreement is issued in **Form IV** to the chit fund company.

THIRD STEP : To obtain Certificate of Commencement of Chit

Following documents are required to be submitted in the office of RCF for the above purpose:-

1. Declaration of Full Subscription of Chit Tickets in **Form VI**, &
 2. Affidavit in the prescribed proforma(**see prescribed proforma below**)
- On being satisfied that all the requirements relating to previous sanction, registration of chit and other matter have been duly complied with by the foreman company, the Registrar, Chit Funds issues a Certificate of Commencement of Chit in **Form VII** to the chit fund company.

TIME LIMITS FOR FILING OF VARIOUS DOCUMENTS BY THE CHIT FUND COMPANY IN THE OFFICE OF RCF

Sl. No.	Details of documents to be filed	Time Limit
1.	A certificate in Form VIII regarding furnishing a copy of chit agreement to every subscriber.	15 days after the close of the month in which the draw for first instalment of the chit is held.
2.	Filing of true copy of the minutes of the proceedings of the	21 days from the

	draw	date of the draw
3.	Filing of true copy of the entry regarding removal of defaulting subscriber	14 days from the date of removal
4.	Filing of true copy of the entry regarding substitution of defaulting subscriber	14 days from the date of substitution
5.	Filing of true copy of the entry regarding transfer or right of a non-prized subscriber	14 days from the date of making such entry
6.	Filing of true copy of assent of all the non-prized and unpaid prized subscribers regarding withdrawl of foreman and/or termination of the chit under section 40(b) of the Chit Funds Act, 1982.	14 days from the date of such assent

Affidavit(To be submitted at the time of seeking previous sanction)

I,.....foreman ofChit Fund Company Pvt. Ltd. hereby solemnly affirm and declare as follows:-

- (1) That I have not been convicted of any offence under the Madras Chit Fund Act, 1961/The Chit Funds Act,1982 or under any other Act regulating Chit business nor have I been sentenced to imprisonment for any such offence.**
- (2) That I and the company viz..... have not defaulted in the payment of any fee as prescribed under the Madras Chit Fund Act, 1961 and the Rules framed thereunder nor have I defaulted in the payment of any fee levied under the Chit Funds Act,1982 and the Rules framed thereunder.**
- (3) That I and the applicant company, viz..... have not defaulted in filing any statement/documents/information prescribed under the Acts mentioned in para (2) above.**
- (4) That I have not been convicted of any offence involving moral turpitude and have not been sentenced to imprisonment for any such offence over the last five years.**
- (5) That I as foreman and the applicant company ,viz..... have not violated any of the provisions of the Madras Chit Fund Act,1961 and the Rules framed thereunder and the subsequent statute viz. the Chit Funds Act, 1982 and the Rules framed thereunder.**
- (6). That I/applicant company now undertake that I /we shall abide by the provisions of the Chit Funds Act,1982 and the Rules framed thereunder.**
- (7). That the applicant company is not carrying on any other business except that of Chit Fund and that the applicant company shall abide by the provisions of section 12 of the above said Act.**
- (8). That I/applicant company shall maintain the reserve fund as provided under section 8(3) of the said Act and abide by the provisions of section 8(3) (4) of the above said Act.**
- (9) That the aforesaid information/affirmations is /are correct/true and if at any stage, any of the affirmation is found as incorrect/false then I and the applicant company, viz_____, shall be liable to prosecution under the provisions of Chit Fund Law as well as Criminal Law.**

Dated:

Signature of Deponent(Foreman)

Place:

Name of Deponent (Foreman):

Certificate of Commencement of the chit

I,.....foreman of M/s.....,Company hereby solemnly affirm and declare as follows;-

1. That I had applied for commencement of chit group amounting to _____ for which previous sanction has already been granted vide letter no..... dated
2. That in pursuance of the above said sanction, I have also filed the chit agreements for registration in the office of the Registrar, Chit Fund. The said chit agreements have been framed in accordance with the provisions of Section 6 of the Chit Funds Act, 1982. That if any issues arise which is not specifically provided for in any of the clauses of this chit agreement then the said issue(s) will be settled in accordance with the provisions of the Chit Funds Act, 1982 and the Rules framed thereunder.
3. That chit agreement executed between the deponent (foreman) and the subscribers which was submitted in the office of the RCF was registered vide letter no.....dated.....
4. That if any of the clauses of the chit agreement is repugnant to the provisions of the Chit Funds Act, 1982 (as extended to NCT of Delhi) and the Rules framed thereunder, then the same shall be void ab-initio.
5. That all the tickets as specified in the chit agreement have been fully subscribed.
6. That a copy of the chit agreement as registered in office of the Registrar, Chit Fund shall be supplied to each subscriber on or before the date of 1st draw in accordance with section 10(1) of the Chit Fund Act,1982.
7. That all the documents/information furnished in the Office of RCF in connection with the application/ request seeking permission for commencement of the chit group bearing no.....is/are correct/true and nothing has been concealed/ suppressed therefrom.
8. That if any documents/information furnished in the office of Registrar Chit Fund in connection with the above said chit group is found as false, then the foreman/ company shall be liable to prosecution under the provisions of Chit Fund Law/ Criminal Law.

Dated:

Signature of
Deponent(Foreman)

Place:

Name of Deponent
(Foremen)

CHIT AGREEMENT

SPECIMEN CHIT AGREEMENT

THIS CHIT AGREEMENT is executed on this _____ day of _____ under the Chit Funds Act 1982 & Rules framed thereunder between M/s. _____, CHITS (P) LIMITED, a company incorporated under the Companies Act, 1956 having its registered office at _____ & its Corporate Office at _____ hereinafter called as the "FOREMAN" of the One Part through its Managing/ Executive Director Sh/Smt _____ --S/O/W/O Sh-----R/O AND Sh/Smt/Ms-----F/O/H/O/D/O-----R/O _____ Tel.No.(M)----- (L)----- hereinafter called as the "**SUBSCRIBER**" of the Other Part, witnesseth :

- (i). Chit Series No. _____
- (ii). Total number of tickets including the fraction of ticket held by each subscriber _____
- (iii). Chit Amount _____
- (iv). Number of instalments _____
- (v). Duration of chit _____
- (vi). Monthly subscription (per ticket) _____
- (vii). Due date of payment of monthly subscription _____ (DATE)(TIME)(PLACE)
- (viii). Ticket number allotted _____
- (ix). Probable date of commencement of chit _____
- (x). First date of draw/auction _____
- (xi). Succeeding date of draw/auction _____
- (xii). Date of termination of the chit _____
- (xiii). Minimum bid allowed _____ % of the chit amount
- (xiv). Maximum bid/discount offered _____ % of the chit amount
- (xv). Time of auction _____
- (xvi). Place of auction _____
- (xvii). Detail of security furnished by the foreman _____
- (xviii). Nominee of the Subscriber (with Relation) _____
- (xix). Previous sanction which was granted by RCF, Delhi (please write No. & date of sanction) _____
- (xx). Ticket No. held by Foreman (please see S.No.4 below) _____
- (xxi). The instalment at which the foreman is entitled to get the chit amount without deduction of discount _____

AND WHEREAS, the Foreman has offered and invited subscriptions to the Tickets of the said Chit Group. The subscriber having come to know of this offer and invitation approached the Foreman and after satisfying himself/herself regarding the operation of chits as per the provisions of the Chit Funds Act, 1982 accepted the offer of the Foreman and agreed to join the said Chit Group. Hence, the Foreman and the Subscriber above named have entered into this agreement on the following terms and condition as required under the provisions of the Chit Funds Act, 1982 and the Rules framed thereunder.

NOW THIS CHIT AGREEMENT WITNESSETH THAT:

1. That the draw / auction shall be conducted in the presence of not less than two subscribers in accordance with the provision of Section 16 of the Act.
Where any draw is not conducted on the ground that two subscribers were not present or on any other ground, the Registrar, Chit Fund Govt. of NCT of Delhi may, in 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.
2. A notice will be sent to the subscriber concerned at least ----days before the auction through-----and every such draw shall be conducted as per the provision of the aforesaid Act and the Rules framed thereunder. In case, the date of draw for any installment falls on a Holiday as per Negotiable Instruments Act, 1881 or is so declared by the Government under the Shops & Establishment Act or if any strike/unforeseen incident takes place on account of which draw/chit could not be held on the scheduled date and time, then the draw in respect of such installment shall be held on the succeeding working day at the aforesaid time and place under intimation to the subscribers. The foreman may with the consent of the subscribers and with the prior approval of the Registrar, alter the place, date and time of auction.
3. It is agreed that the amount of discount a prized subscriber has to forego at any installment of the chit shall be maximum of _____% and minimum of ____% (_____ percent) of the chit amount.
4. It is agreed that the Foreman is entitled to obtain the chit amount without deduction of the discount specified in this chit agreement for which he shall subscribe to a ticket in the chit specified at **Column No. (xx)**. Further, the Foreman may have option to subscribe more than one ticket in the chit group. However, if the Foreman has subscribed for more than one Ticket he shall not be eligible to obtain more than one chit amount in a chit without discount in accordance with Section 21(1)(a) of the Chit Fund Act, 1982 .
5. It is agreed that the subscriber who offers to forego the highest amount of discount in any draw, subject to ceiling given in **Column No.(xiv)** above, shall be declared as the Prized Subscriber and the Ticket he/she represents as Prized Ticket for that installment/draw. If in any draw, more than one subscriber offers to forego the maximum of-----% of the chit amount as discount, a lot will be drawn amongst those subscribers and the subscriber who wins by lot will be declared as the prized subscribers' for that installment/ draw. The foreman will commence an auction from minimum amount of ____% (_____ percent) of the chit amount and the subscriber who offers the maximum discount shall be declared as Prized Subscriber for that installment draw. In the event of a Subscriber, having been declared as Prized subscriber, does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the Foreman to hold another draw in respect of such instalment. In such an event, if the discount offered in the re-draw / auction is lower than that of the discount offered by the subscriber in the original draw, then the difference in discount shall be adjusted by the Foreman in the account of the Subscribers.
6. It is agreed that the Foreman shall be paid by the Prized Subscriber a sum equal to ____% (_____ percent) of the chit amount out of the discount amount at each installment/draw of the chit as **commission, remuneration or for meeting the expenses of running of the chit**. After deducting such amount, the remaining amount of the discount (i.e. dividend) offered by the prized subscriber shall be rateably distributed among all the chit subscribers / Tickets holders. Such dividend shall not be paid in cash but shall be adjusted towards his/her/their next instalment.
7. It is agreed that the Subscriber shall pay the subscriptions/ installment-amount in one lump sum regularly on the dates & time and at the place mentioned above in **Column No. (vii)** and will obtain a receipt from the Foreman as per Section 27 of the Chit Fund Act, 1982, failing which the

subscriber has to pay penalty @ **12% (twelve percent) per annum** on the defaulted installment from the due date till payment. It is further agreed that the subscriber, if he/she so desires and subject to the foreman agreeing to it, may pay the installment amount in daily/ weekly (easy) installments and in such an event the subscriber shall ensure that the installment amount is fully paid within the stipulated time for the respective installment.

8. It is agreed that if the Non-Prized subscriber fails to pay the chit installments/ subscriptions by the prescribed date successively for two installments, he shall be treated as defaulting subscriber and his **name shall be liable to be removed from the list of subscribers and a written notice of such removal shall be given by the foreman to the defaulting subscriber within fourteen days of the date of such removal.**

Provided that if the defaulter pays the defaulted instalment with interest not exceeding 12% per annum within seven days of the date of receipt of such notice, his name shall be re-entered in the list of such subscribers[Section 28(1) of the provisions of the Chit Funds Act, 1982 & Rule 55 of the Delhi Chit Fund Rules,2007]

Amounts due to defaulting subscribers

- (A) A foreman shall, out of the amounts payable by and realized from the substituted subscriber towards the instalments relatable to the period before the date of substitution (including the arrears due from the defaulting subscriber), deposit before the date of the next succeeding instalment in a separate identifiable account in _____ bank, an amount equal to the contributions made by the defaulting subscriber after deducting 25% of the total amount paid by the defaulting subscriber or 5% of the total chit amount, whichever is less, and shall inform the defaulting subscriber as well as the Registrar of the fact of such deposit and shall not withdraw the amount so deposited except for payment to the defaulting subscriber.
- (B) The amount so deposited shall be paid to the defaulting subscriber as and when he claims the amount and the amount so deposited shall not be withdrawn by the foreman for any purpose other than for such payment.
- (C) The contributions of any defaulting subscriber who has not been substituted till the termination of the chit shall be paid to him within fifteen days from the date of termination of the chit after deducting 25% of the total amount paid by the defaulting subscriber or 5% of the total chit amount, whichever is less.
9. That, it is agreed that in the event of the subscriber being a prized subscriber fails to pay the chit installments/ subscriptions regularly, the Foreman shall be entitled to call upon the subscriber for making consolidated payment of defaulted as well as future subscriptions forthwith after giving written notice to this effect and if the subscriber fails to comply with such notice, the subscriber shall be entitled for the dividends only for the installments regularly paid by him and shall not be entitled for the dividend for the defaulted installments. The Foreman shall also be entitled to initiate legal action before the competent authority against the subscriber and his guarantors, if the consolidate amount of default demanded as aforesaid from the subscribers/guarantor is not paid as per the demand.
10. That, it is agreed that the Foreman shall, as per the provisions of the Chit Funds Act 1982 and the Rules framed thereunder, deposit all the chit moneys collected in the Current/_____ Account with the _____(Name of the approved bank as defined u/s 2 (a) of the Act) as desired by the Foreman. That, it is notified that details of security furnished (u/s 20 (1) of the Act) by Foreman in the name of Registrar, Chit Fund are (i) a deposit amounting to Rs._____ as Fixed Deposit No. _____ Date _____ & Bank Guarantee No _____ Dated_____ with the

_____ the approved Bank as per the provisions of the Chit Funds Act, 1982 as security.

11. The subscriber has agreed to give/ tender, on his being declared Prized Subscriber, adequate security for the due payment of future installments / subscriptions. And it is explicitly made clear that the Prized Subscriber shall be paid the prize amount only after the Foreman is satisfied that the securities / sureties / collaterals etc., offered by the Prized subscriber, are sufficient and the Prized Subscriber and his guarantors (if any) execute on demand Promissory Note/voucher and other documents for the consolidated future subscriptions/amount in accordance with provisions of the Chit Fund Act, 1982 and the Rules framed thereunder. Such prized amount will be paid by the Foreman to a prized subscriber by _____ (mode be specified).
12. The subscriber has agreed to intimate the Foreman in writing of any change in his address. It is agreed that any communication / notice sent through Registered Post or ----- to the subscriber to the address furnished by him while joining the chit or change in address intimated, shall be deemed to have been served on him.
13. The Foreman shall have a general lien over the amounts, if any, due to the subscriber. If the subscriber is indebted to the Foreman for any amount either personally or as Surety, the Foreman will have in respect of such liabilities, a first charge over any amount that may be due to the subscriber from the Foreman and on the other assets of the subscriber lying with the Foreman. The Foreman has the right to set off such credits towards their liabilities to the Foreman when the chit Prize amount is drawn. Only the balance if any will be paid to the subscriber.
14. It is agreed that the Non Prized Subscriber or Unpaid Prized Subscriber can inspect the Chit records on any working day between _____, except at the time when chit draws are held, on paying a sum of Rs.5 (Five) as fee to the Foreman as prescribed u/s 44 of the Chit Fund Act, 1982.
15. It is agreed that in case the Non Prized Subscriber dies or when he otherwise becomes incapable of making an agreement, the nominee at Column No.(xviii), be paid by the Foreman all such benefits accruing to the subscriber under the chit. In case the Prized Subscriber dies, the legal heirs of such Prized Subscriber shall be liable for the amounts due under the chit by the subscriber to the Foreman.
16. The Chit shall be continued when the individual Foreman Sh./Smt./Ms. _____ dies, or becomes of unsound mind or is otherwise incapacitated as per the provisions of the Act under the supervision of the other foreman Sh./Smt./Ms. _____.
17. It is agreed that in case of violation of any of the terms of this chit Agreement or if any disputes arises between the subscriber & the Foreman, the matter shall be referred to the Registrar of Chit Fund, Delhi as per the provisions of the Chit Funds Act, 1982 & Rules framed thereunder. Further, if any issue arises which is not specifically covered by any of above clauses of this agreement, then the said issue will be settled in accordance with the provisions of the Chit Funds Act, 1982 and the Rules framed thereunder.
18. The foreman shall, as soon as may be after he has obtained the certificate of commencement from the Registrar, 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.
19. If any of the clauses of this agreement is repugnant to the provisions of the Chit Fund Act, 1982 (as extended to NCT of Delhi) and the Rules framed thereunder, then the same shall be void ab-initio.

IN WITNESS WHEREOF the Foreman and the Subscriber above named have signed this chit agreement on the day, month and year **first** here in above mentioned.

Signature of Foreman

Signature of Subscriber

Witnesses:

1. (Signature)

2. (Signature)

Name & Address

Name & Address

(NAME OF THE COMPANY)
REGISTERED OFFICE AT _____

(BYE-LAWS FRAMED UNDER THE CHIT FUNDS ACT, 1982 & RULES FRAMED THEREUNDER)

FOREMAN

- (i) The name of the Foreman _____.
- (ii) The Complete address of the Foreman (Regd. Office & Corporate office, if any).
- (iii) The chit fund business shall be carried out in the name and style of _____ (name of the company).

DETAILS OF WORKING OF THE CHIT

1. ENROLLMENT OF MEMBERS.

The foreman shall start the process of enrolment of members of this Chit only after obtaining of previous sanction from the Registrar, Govt. of NCT of Delhi under Section 4 of the Chit Funds Act, 1982.

- (a) The membership of the chit is open to every adult person who is having his/her own regular source of income. A chit can be held individually or in joint names of two or more persons.
- (b) The request for membership shall be made on a printed form of an application along with the amount of Rs. _____ for stamped chit agreement and cost for pass book etc.

2. Allotment of chit/ticket no. and chit agreement.

After the receipt of the application for becoming a member the foreman shall allot a ticket number to the member and agreement in duplicate in the prescribed proforma shall be executed between the Foreman and the Subscriber. A person shall obtain the rights of a member of the Chit only after registration of the chit agreement by the Registrar and only after the receipt of first instalment (amount) by the foreman. The foreman will also provide a true copy of the chit agreement to the subscriber on receipt of the same from Registrar, Chit Fund, duly registered under Section 7 of the Chit Funds Act, 1982 but not later than the date of the first draw.

3. Composition of Chit

The composition of the Chit is as under:-

Chit No.	Total Chit Amount	No. of Members (Tickets)	Duration	Monthly subscription

4. RIGHTS AND DUTIES OF NON-PRIZED SUBSCRIBERS

- (i) Non-prized subscribers to pay subscriptions and obtain receipts under Section 27 of the Chit Funds Act, 1982.**

Every non-prized subscriber shall pay his subscription due in respect of every instalment on the dates and times and at the places mentioned in the chit agreement and shall, on such payment, be entitled to obtain a receipt from the foreman.

- (ii) Removal of defaulting subscribers under Section 28 of the Chit Funds Act, 1982 and Rules framed thereunder.-**

- (1) A non-prized subscriber who defaults in payment his subscription in accordance with the terms of the chit agreement shall be liable to have his name removed from the list of subscribers and a written notice of such removal shall be given by the foreman to the defaulting subscriber within fourteen days of the date of such removal:**

Provided that if the defaulter pays the defaulted instalment with interest @ 12% per annum within seven days of the date of receipt of such notice, his name shall be re-entered in the list of such subscribers.

- (2) Every such removal as per provisions of sub-section (1) of Section 28 shall, with the date thereof be entered in the relevant book maintained by the foreman.**
- (3) A true copy of the entry referred to in sub-section (2) of Section 28 shall be filed by the foreman with the Registrar within fourteen days from the date of removal.**
- (4) Any defaulting subscriber aggrieved by the removal of his name from the list of subscribers may within seven days of the date of receipt of the notice of removal refer the matter to the Registrar Chit Fund, GNCT of Delhi for arbitration under section 64.**

(iii)

Substitution of subscribers under Section 29 of the Chit Funds Act, 1982.

- (1) A foreman may substitute in the list of subscribers any person in place of the defaulting subscriber whose name has been removed under sub-section (1) of section 28.**
- (2) Every substitution referred to in sub-section (1) of Section 29 shall, with the date thereof, be entered in the relevant book maintained by the foreman and a true copy of every such entry shall be filed by the foreman with the Registrar within fourteen days from the date of substitution.**

(iv)

Amounts due to defaulting subscribers under Section 30 of the Chit Funds Act, 1982.

- (1) A foreman shall, out of the amounts payable by and realized from the substituted subscriber towards the instalments relatable to the period before the date of substitution (including the arrears due from the defaulting subscriber), deposit before the date of the next succeeding instalment in a separate identifiable account in an approved bank mentioned in the chit agreement, an amount equal to the contributions made by the defaulting subscriber less such deductions as may be provided for in the chit agreement, and shall inform the defaulting subscriber as well as the Registrar of the fact of such deposit and shall not withdraw the amount so deposited except for payment to the defaulting subscriber.**
- (2) The amount so deposited under sub-section (1) of Section 30 shall be paid to the defaulting subscriber as and when he claims the amount and the amount so deposited shall not be withdrawn by the foreman for any purpose other than for such payment.**
- (3) The contributions of any defaulting subscriber who has not been substituted till the termination of the chit shall be paid to him within fifteen days from the date of termination of the chit subject to such deductions as may be provided for in the chit agreement.**

5. Right & Duties of Prized Subscribers:

- (i) Prized subscriber to furnish security under Section 31 of the Chit Funds Act, 1982.**

Every prized subscriber shall, if he has not offered to deduct the amount of all future subscriptions from the prize amount due to him, furnish, and a foreman shall take, sufficient security for the due payment of all future subscriptions and, if the foreman is a prized subscriber, he shall give security for the due payment of all the future subscriptions to the satisfaction of the Registrar.

- (ii) Prized subscriber to pay subscriptions regularly under Section 32 of the Chit Funds Act, 1982.**

Every prized subscriber shall pay his subscriptions regularly on the dates and times and at the place mentioned in the chit agreement and, on his failure to do so, he shall be liable to make a consolidated payment of all the future subscriptions forthwith.

- (iii) Foreman to demand future subscriptions by written notice**

- (1) A foreman shall not be entitled to claim a consolidated payment from a defaulting prized subscriber under section 32 unless he makes a demand to that effect in writing.
- (2) Where a dispute is raised under the Chit Funds Act, 1982 by a 'foreman for a consolidated payment of future subscriptions from a defaulting prized subscriber and if the subscriber pays to the foreman on or before the date to which the dispute is posted for hearing the arrears of subscriptions till that date together with the interest thereon at the rate provided for in the chit agreement and the cost of adjudication of the dispute, the Registrar or his nominee hearing the dispute shall, notwithstanding any contract to the contrary, make an order directing the subscriber to pay to the foreman the future subscriptions on or before the dates on which they fall due, and that, in case of any default of such payments by the subscriber, the foreman shall be at liberty to realise, in execution of that order, all future subscriptions and interest together with the costs, if any, less the amount if any, already paid by the subscriber in respect thereof:

Provided that if any such dispute is on a promissory note, no order shall be passed under this sub-section unless such promissory note expressly states that the amount due under the promissory note is towards the payment of subscriptions to the chit.
- (3) Any person who holds any interest in the property furnished as security or part thereof, shall be entitled to make the payment under sub-section (2).
- (4) All consolidated payments of future subscriptions realised by a foreman shall be deposited by him in an approved bank mentioned in the chit agreement before the date of the succeeding instalment and the amount so deposited shall not be withdrawn except for payment of future subscriptions.
- (5) Where any property is obtained as security in lieu of the consolidated payment of future subscriptions, it shall remain as security for the due payment of future subscriptions.

6. Rights of foreman under Section 21 of the Chit Funds Act, 1982 .-

- (1) The foreman shall be entitled,-
 - (a) in the absence of any provision in the chit agreement to the contrary, to obtain the chit amount at the first instalment without deduction of the discount specified in the chit agreement, subject to the condition that he shall subscribe to a ticket in the chit :

Provided that in a case where the foreman has subscribed to more than one ticket, he shall not be eligible to obtain more than one chit amount in a chit without discount:
 - (b) to such amount not exceeding five percent of the chit amount as may be fixed in the chit agreement, by way of commission, remuneration or for meeting the expenses of running the chit.

- (c) to interest and penalty ,if any, payable on any default in the payment of instalments and to such other amounts as may be payable to him under the provisions of the chit agreement ;
- (d) to receive and realize all subscriptions from the subscribers and to distribute the prize amounts to the prized subscribers;
- (e) to demand sufficient security from any prized subscriber for the due payment of future subscriptions payable by him.

Explanation.- A security shall be deemed to be sufficient for the purpose of this clause if its value exceeds by one- third, or if it consists of immoveable properties, the value of which exceeds by one- half, of the amount due from prized subscriber.

- (f) to substitute subscribers in place of defaulting subscriber; and
 - (g) to do all other acts that may be necessary for the due and proper conduct of the chit.
- (2) Where any dispute arises with regard to the value of the property offered as security under Cl. (e) of sub-section (1), it shall be referred to the Registrar for arbitration under Sec.64.

7. Duties of Foreman under Section 22 of Chit Funds Act, 1982:

- (1) The foreman shall on the prized subscriber furnishing sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount:

Provided that the prized subscriber shall be entitled to the payment of the prize amount without any security whatsoever if he agrees to the deduction therefrom of the amount of all future subscriptions and in such a case, the foreman shall pay the prize amount to the prized subscriber within seven days after the date of the draw or before the date of the next succeeding instalment, whichever is earlier;

Provided further that where the prize amount has been paid to the prized subscriber under the first proviso, the amount deducted shall be deposited by the foreman in an approved bank mentioned in the chit agreement and he shall not withdraw the amount so deposited except for the payment of future subscriptions.

- (2) If, owing to the default of the prized subscriber, the prize amount due in respect of any draw remains unpaid until the date of the next succeeding instalment, the foreman shall deposit the prize amount forthwith in a separate account in an approved bank mentioned in the chit agreement and intimate in writing the fact of such deposit and the reasons therefore to the prized subscriber and the Registrar:

Provided that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such instalment.

- (3) Every payment of the prize amount or the amount of future subscriptions under sub-section (1) of Section 22, and the deposit of the prize amount under sub-section (2) of Section 22, shall be intimated to the subscribers at the next succeeding draw and the particulars of such payment or deposit shall be entered in the minutes of the proceedings of that draw.
- (4) The Foreman shall not appropriate to himself any amount in excess of what he is entitled to under Cl.(b) or Cl.(c) of sub-section (1) of Section 21.

Provided that where the foreman is himself a prized subscriber, he shall be entitled to appropriate to himself the prize amount subject to his complying with provisions of Sec. 31

Provided further that the foreman may appropriate to himself the interest accruing on the amount deposited under the second proviso to sub-section (1).

- (5) The foreman shall not admit any person as a subscriber to a chit, if, by such admission, the total number of tickets mentioned in the chit agreement is increased.
- (6) The foreman shall distribute among the subscribers in accordance with the chit agreement, the dividend either in cash, grain or by way of adjustment towards the subscriptions payable for the next instalment, if any.

8. Date and time and place of conducting chit auction:

- (a) Auction will be held at the premises of the Foreman's registered office at _____. The time and date of auction will be specified in the chit agreement. The duration of auction will be five minutes. The Foreman with the consent of non-prized subscribers and the prior approval of the Registrar may alter the date, time and place of auction of the chit which will be intimated to every subscriber of the chit concerned at least ____ days before the date of auction. The subscriber of the chit who bids the highest discount upto the ceiling fixed by the foreman will be declared "Prized Subscriber". If there are more than one bids for the ceiling amount or there is any tie between the two bidders on the bid amount, the prized subscriber will be determined by draw of lots among the bidders of the amount.
- (b) Maximum Discount:- The bid will start from the amount over and above the Foreman's commission. Maximum bid limit will be ____% of the total chit value.
- (c) That the draw/auction shall be conducted in the presence of not less than two subscribers in accordance with the provisions of the Act. A non-prized

subscriber's authorized agent will also be allowed to take part in the auction.

- (d) Where any draw is not conducted on the ground that two subscribers are not present or on any other ground, the Registrar, Chit Fund Govt. of NCT of Delhi may, in 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.
- (e) **Lack of Bidders at Auction:-** In case there are no bidders at any particular auction, the foreman will take a lot from amongst the non-prized subscribers in the presence of subscribers of the draw and in that case the chit amount less the foreman's commission shall be paid to the successful chit holders who wins the lot.
- (f) **Auction proceedings:-** Minutes of the proceedings of such auction will be recorded in the chit minutes book provided for the purpose in accordance with the provisions of section 17 of the Chit Fund Act, 1982. The minutes book will be signed by all participating subscribers or their authorized agents of the particular series.

The prized subscriber or his authorized agent will be required to sign the proceeding of the said minute book as a confirmation of his having offered the highest discount.

9. Dividend & their Distribution

After deducting the commission, the remaining amount of the discount (i.e. dividend) offered by the prized subscriber shall be rateably distributed among the subscribers in accordance with the chit agreement, either in cash or by way of

10. Penalty for late payments:

- a) If a non-prized subscriber fails to deposit his current subscription before the due date, a penalty of one paise per rupee will be charged for the first default. If the default is continued to the second month, dividends can be refused to the defaulting subscribers. If the default in payment continues for the third month also, the foreman may remove the name of such a subscriber from the chit after giving 14 days notice to the defaulting subscriber.

The defaulting subscribers shall be entitled to refund of their own contribution subject to such deduction as may be provided for in the chit agreement. Deductions shall not exceed 5% of the chit value or 25% of defaulting subscriber's subscription, whichever is less.

- (b) When prized subscriber defaults in payments, a penalty of one paise per rupee will be charged for the first month; if the default continues to the second month also, such subscriber may be refused dividend and foreman may demand the entire future instalments in lump sum in writing. The amount thus recovered will be dealt with according to the provisions of

section 32 and 33 of the Chit Fund Act, 1982 as extended to the Union Territory of Delhi.

11. Security given by prized subscriber:

The prized subscriber is required to furnish necessary securities to the satisfaction of the Foreman of the payment of future instalments due from him. The security should be any of the following:-

- (a) Two permanent Government Servants each drawing an unencumbered minimum basic monthly salary or income of Rs. _____ per month.

The Foreman may at his discretion require or accept sureties of persons getting lower salaries than indicated above.

- (b) Two businessman having established business for at least ten years and having monthly income of Rs. _____ along with documentary proof of income, i.e. Income tax assessment record etc.
- (c) Assignment of insurance policy, provided the surrender value of the policy is at least double the liability of the prized subscribers.
- (d) Deposits within the Foreman in the chit or otherwise (net amount paid) which should not be less than one and a half times the period subscribers liability with the Foreman.
- (e) The title deed of immovable property in Delhi/New Delhi creating an equitable mortgage. The value of the property should be at least one and a half times liability of the prized amount.

The foreman may ask for three or more sureties in case the prized subscribers income is not considered sufficient for recovery of the prized amount.

The sureties must show proof that their terms of service in the Government will be at least double the Chit period. The sureties should not have any other liability to the Foreman or to any person/firm/company either personally or as surety.

12. Expenses of Security/Surety Processing :

The expenses for verification and inspection of the security and also of the property offered, stamp value, registration and other expenses in connection with execution of security/surety/bond and promissory note shall be borne by the subscriber himself.

13. Area of Operation of Chit :

Area of operation of the chit company shall be the National Capital Territory of Delhi.

14. Withdrawal by unpaid and defaulting subscribers:

If a subscriber, at any time during continuation of the chit, either becomes insolvent, insane, intends to proceed abroad or for any other reasons is not able to continue his chit, he/she shall be at liberty to discontinue contribution of his subscription and may claim refund of his own contribution in accordance with the provisions of the Chit Fund Act, 1982.

15. Nomination of a person in the event of death/disability:

Every member while applying to become a chit subscriber shall nominate a person or persons entitled to the benefits of the chit held by him/her, in the event of death or disability of him/her. The Foreman shall pay the amount contributed by the deceased or disabled subscriber, to the nominee or allow the nominee to continue the chit for the remaining period.

16. Conditions under which transfer of the chit or interest of subscriber permitted:

Every transfer by a non prized subscriber of his rights in the Chit shall be in writing duly attested by at least two witnesses and shall be filed with the Foreman.

Every transfer under the preceding clause shall be recognized by the Foreman, unless the transferee is not solvent or the transfer was affected with a view to defeating the provisions of any law including the Chit Funds Act, 1982.

A prized subscriber can in no case be allowed to transfer his ticket to another person.

17. Inspection of chit record by the subscribers:

The foreman shall in accordance with the Section 44 of the Chit Fund Act, 1982 as extended to the Union Territory of Delhi shall permit the non prized subscribers and unpaid prized subscribers, on payment of a fee of Rs.5/- by them, all facilities on any working day between _____ for inspection of the security bonds and documents receipts and other records etc. pertaining only to the chits of which they are subscribers.

18. Settlement of Disputes:

In case of violation of any of the terms of the chit agreement or any disputes arising between the subscriber & the Foreman, the matter shall be referred to the Registrar of Chit Fund, Delhi for arbitration as per the provisions of the Chit Funds Act, 1982 & Rules framed thereunder.

19. Preservation of chit records by foreman:-

All the records pertaining to a chit shall be kept by the foreman for a period of eight years from the date of termination of the chit.

20. Misc. matters:

- (i) Any change of address shall be intimated to the Foreman by the subscribers within seven days of such change.
 - (ii) The accounts of the Chit Series will be kept in English.
 - (iii) Officer authorized to sign documents as Foreman Shri/Smt. _____.
 - (iv) All money received from the subscribers shall be kept/deposited at _____ (Name of the approved Bank).
21. (a) If any of the matter in respect of the conduct/operation of the above said chit is not covered by the Bye-laws, then the same shall be governed by the relevant provisions of the Chit Funds Act, 1982 and the Rules framed thereunder.
- (b) If any of the Bye-laws is repugnant to the provisions of the Chit Funds Act, 1982 and the Rules framed thereunder, then the same shall be void.

FOREMAN

Witness:

1. (Signature)

2. (Signature)

Name & Address.

Name & Address.

Deleted: ¶