

In exercise of the powers conferred by Section 89 of the Chit Funds Act, 1982 (Central Act, 40 of 1982), the Government of Andhra Pradesh, in consultation with the Reserve Bank of India, hereby makes the following rules:

## **CHAPTER – I**

### **PRELIMINARY**

#### **1.Short title: —**

(i) These rules may be called the Andhra Pradesh Chit Funds Rules, 2008.

(ii) They shall come into force from the 15.09.2008.

#### **2.Definitions: —**

TIIn these rules, unless the context otherwise requires,

(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) “Authorized agent” means a person duly authorized by a power-of-attorney executed and registered under the provisions of Registration Act, 1908 (Central Act XVI of 1908) or a person authorized by a letter of authorization specified in Form XX by the person concerned;

(d) “Form” means a Form in Appendix I to these Rules;

(e) “Section” means a Section of the Act; Words and expressions used in these Rules but not defined therein shall have the same meanings respectively assigned to them in the Act.

## **CHAPTER – II**

### **REGISTRATION**

#### **3.Application for obtaining previous sanction for commencement or conduct of Chit: —**

Every application for obtaining previous sanction of the State Government or the officer empowered by it in this behalf, for commencement or conduct of a chit shall

be made, by the foreman in Form-I. The State Government or the Officer empowered may issue the order of previous sanction in Form – IB..

**4.Communication of the refusal to sanction commencement or conduct of a chit: —**

(1) Where sanction for the commencement or conduct of a chit is refused, the reasons for such refusal shall be recorded in writing and a copy thereof shall be communicated to the applicant

. (2) Before refusing such sanction, the State Government shall issue a notice to the foreman calling upon him to show cause within a reasonable period to be stipulated in such notice why sanction be not refused.

(3) Where the ground for the proposed refusal of such sanction is default in payment of fees or filing of any statement or record required to be paid or filed under the Act, the State Government may condone the said default, if it is satisfied on hearing the foreman that the default has occurred due to reasons beyond his control or due to other bonafide reasons, provided the foreman has paid the fees or filed the necessary documents on or before the date of such hearing.

**5.Application for registration of Chit: —**

Every application for the registration of a chit to be made by the foreman to the Registrar shall be in Form-II.

**6.Endorsement of registration of a Chit: —Top**

The endorsement of registration of a chit agreement to be issued by the Registrar shall be in Form-III.

**7.Registration Number of Chit: —**

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

**8.Communication of the refusal to register a Chit: —**

(1) If the Registrar refuses to register a Chit, he shall record the reasons for such refusal in writing and communicate a copy of the order to the applicant. (2) Before refusing the registration, the Registrar shall issue a notice to the foreman calling upon him to show cause within a reasonable period to be stipulated in such notice why registration be not refused. (3) Where the ground for the proposed refusal of registration is default in payment of fees or filing of any statement or record required to be paid or filed under the Act, the Registrar may condone the said default, if the Registrar is satisfied, on hearing the foreman that the default has occurred due to reasons beyond the control of the foreman or due to other bonafide reasons, provided the foreman has paid the fees or filed the necessary documents on or before the date of such hearing.

**9.Application for appropriation of any sum from Reserve Fund: —**

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

**10.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.

**11.Form of Certificate of commencement of Chit: —Top**

The certificate of commencement of a chit to be granted to the foreman shall be in Form VI.

**12.Form of certificate about furnishing a copy of the chit agreement to the subscribers of a chit: —**

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 Registrar shall be in Form VII.

**12 A.Copies of chit agreement and Byelaws to be given to the subscribers and acknowledgements to be filed with Registrar: —**

After the chit agreement is signed by the subscriber or by any person authorized in writing by the subscriber in his behalf, the foreman shall supply a true copy of the

chit agreement along with a copy of its bye-law, certified as such by him to such subscriber or person authorized by the subscriber who shall acknowledge the receipt of the same and the foreman shall file the acknowledgements with the Registrar concerned within fourteen days of the first drawing of the chit.

**12 B.Issue of pass book to the subscriber by the foreman: —**

The foreman shall issue a pass book to each subscriber duly attested by the Registrar concerned with official seal. Provision for entries shall be made and it shall contain the full details of the dividend, the amount that is available with the foreman for distribution of dividend in the last draw, and the share of the subscriber. The foreman shall obtain the signature of the subscriber concerned against each entry made in the pass book.

**13.Form of Chit agreement: —Top**

The Chit agreement of every chit started under the Act shall, as far as may be, conform to the proforma setforth in Form VIII.

**14.Registration of alteration, addition or omission of Chit agreement: —**

(1) No alteration, addition or omission of any provision in the chit agreement shall have effect unless such alteration or addition or omission, as the case may be, is registered. If the foreman makes any alteration or addition or omission of any provision in the Chit agreement, he shall submit such alteration or addition or omission in duplicate to the Registrar duly signed and attested by atleast two witnesses along with the application for registration of such alteration or addition or omission, as the case may be, of the Chit agreement. (2) An application to register an alteration of or addition to or omission of any provision in the chit agreement shall be dealt with in the same manner as an application for registration of the chit agreement

**15.Date of effect of alteration or addition or omission of any provision in the chit agreement: —**

An alteration of or addition to or omission of any provision in the chit agreement shall not take effect from a date earlier than the date of such registration of the

alteration or addition or omission as the case may be, unless otherwise ordered by the Registrar; Provided that the Registrar shall not give effect to the alteration or addition or omission from a date earlier than the date of application for registration of the alteration or addition or omission of any provision in the chit agreement, as the case may be.

**16. Form of Notice to chit subscriber: —Top**

Every notice to be given by a foreman to the subscribers in a chit under Section 16 shall be in Form IX. It shall be sent to each subscriber under certificate of posting and shall also be exhibited on the notice board of the office of the foreman.

**16 A. Communication of a list of Non-Prized Subscribers after the auction: —**

A list showing the names of all the non-prized subscribers of a chit shall be sent to each subscriber by the foreman by a letter within ten days after the auction or draw and it should contain the following particulars: (a) How the dividend is utilized and how much dividend is available for distribution; (b) who are the prized and non-prized subscribers; (c) the date, time, and place of next draw. The acknowledgement obtained from each subscriber should be filed in a separate file.

**17.(1) Form of minutes of proceedings: —**

The minutes of proceedings of every draw shall, in addition to the particulars specified in sub-section (2) of Section 17 contain full particulars of the following points namely ;

(a) Particulars of deposit, if any, of the prize amount under sub-section (2) of Section 22 since the date of previous draw;

(b) Particulars of deposit, if any, of money under sub-section(1) of Section 22, sub-section(1) of Section 30 and sub-section(4) of Section 33 since the date of the previous draw;

(c) Amount withdrawn from the approved bank (the name of the Bank to be specified) and the purpose for which the amount was withdrawn since the date of the previous draw;

(d) How the prized subscriber was ascertained according to the terms of the Chit agreement and particulars of tickets and prize amount. If the ascertainment of the prized subscriber related to a fraction of a ticket, particulars in respect of each such fraction shall be entered;

(e) Full particulars of the commission, or remuneration for meeting the expenses of the Chit paid to the foreman and the amount of dividend assigned to each subscriber; 7

(f) Names of subscribers or their authorized agents who bid the draw, their ticket numbers and signatures.

**(2) Rate of interest payable by the defaulted subscriber and the duty of foreman on receipt of subscription: —**

Every subscriber who defaulted in payment of instalments in time as per the chit agreement, shall pay the interest @ 12% per annum on the amount so payable to the foreman and the foreman shall pay the amount of dividend of each draw even to the defaulted subscriber as and when the subscriber pays the defaulted subscription.

**(3) No agent or representative of the foreman or the family members of his family shall act as agents: —**

No agent or representative of the foreman or the members of his family shall act as agent of subscriber for the purpose of participation in a chit auction. However, a subscriber can appoint an agent in writing who can represent only one subscriber in each auction.

## **CHAPTER – III**

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

(1) In case of cash deposited in an approved bank in the name of the Registrar under 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. (2) In case of Government securities transferred in favour of the Registrar under clause (b) of sub-section (1) of the Section 20, the Registrar shall keep them

in safe custody under his control in any Government Treasury. 8 (3) 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 valuation made. (4) If the security offered is not accepted by the Registrar, he shall give the applicant an endorsement to that effect.

**19.Valuation of chit amount in grain chits: —Top**

In a 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 instalment of the chit 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 prices at the nearest Mandal town as ascertained from the Mandal Revenue Officer 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 (1) of Section 20.

**20.Substitution of security: —**

(1) During the currency of a 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 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 the 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 in return the securities offered by

the foreman after taking endorsements of re-transfer in the pass book (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 security by executing such deed or making such endorsement as may be necessary for an effective retransfer in favour of the foreman.

#### **22.Application for release of security: —Top**

On termination of 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, together with interest, if any, accrued therein and remaining unpaid. (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 property by the Registrar shall apply mutatis mutandis to the release of security made under this Rule.



## **25. Books of Accounts 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) 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.

## **26. Accounts to be written up promptly: —Top**

(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) Every document relating to the security given by the prized subscribers shall, as soon as it is received, be filed in the file mentioned in clause (8) of Rule 25. The file shall contain as 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 purpose 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.

#### **28.Date for submission of Balance sheet: —**

(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.

(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 12 the 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: —Top**

(1) If a foreman desires to have the Balance sheet and Profit and Loss Account audited by the 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 individual chit audited by him as early as possible. On receipt of the application, the chit auditor on such date, time and place as he may fix, 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 the individual chit at the time and place fixed by the chit auditor.

(3) In case the chit auditor feels doubt, as to the running of chits by the foreman he may audit all the records, including profit and loss accounts and receipts and

expenditure accounts of each individual chit, at any time by giving a prior notice to the foreman if practicable.

(4) 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 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. He shall furnish 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 the balance sheet and profit and loss account together with the audit certificate and 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 expiry of the period with reference to which the balance sheet is 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.

## **CHAPTER – IV**

### **WINDING UP OF CHITS**

**32. Form of petition for winding up and presentation: —**

A petition for winding up of a chit shall contain the following particulars, namely:

(1) Full name, description, occupation and address of the petitioner;

- (2) Address of his advocate, if any for the services of all notices, process, etc.,
- (3) Address of the foreman;
- (4) Particulars of the chit;
- (i) number and date of registration of the chit agreement; 14 (ii) office where the chit agreement was registered; (iii) the chit amount; (iv) the total number of tickets; (v) the number of subscribers and the number of tickets subscribed by each subscriber; (vi) the number of non-prized subscribers on the date of the petition; and (vii) the number of unpaid prized subscribers, if any.
- (5) Facts on which the petitioner relies in support of the petition.
- (6) Particulars relating to the award and execution of other process which has been returned unsatisfied in whole or in part, if the ground of the petition is that execution of other process issued on an award or order of the Registrar in favour of any subscriber in respect of the amounts due to him from the foreman was returned unsatisfied in whole or in part.
- (7) Full details to show that the condition prescribed in clause (a) of the proviso to Section 49 is satisfied, if the winding up of the chit is applied for under clause (d) of Section 48.
- (8) Whether the previous sanction of the State Government has been obtained, if clause (b) of the proviso to Section 49 applies (a copy of the relevant order of the State Government shall be attached).

**33.Proposals for collection and distribution of chit assets: —Top**

- (1) The Receiver shall, as soon as possible, settle and submit to the Registrar a statement (hereinafter referred to as the 'Provisional Statement') showing —
- (a) the names of subscribers and other persons from whom moneys are due to the chit;

(b) the names of the subscribers and other persons to whom moneys are due from chit;

(c) proposals as to how the chit assets are to be collected and applied in the discharge of its liabilities; and

(d) the amount proposed to be paid to each of the persons specified in clause(b).

(2) Notice of the preparation of the provisional statement accompanied by a copy thereof shall be published and be served on the petitioner, the subscribers and other persons mentioned by the receiver in such manner as the Registrar may direct. If the number of persons on whom notice is to be served is large, the notice may, in the discretion of the Registrar, be served on the petitioner only and advertised in one or more daily newspapers. The notice shall specify the date on which objections to the provisional statement will be heard and shall call upon any person having such objections.

(i) to submit his statement of objections and the grounds therefor supported by an affidavit before the date appointed by the Registrar in this behalf;

(ii) to appear in person or by an advocate on the date of hearing with all the evidence in support of his objections.

#### **34.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 be allowed the benefit of set-off.

#### **35.Hearing of objections to the provisional statement: —Top**

On the date fixed for the hearing of the objections under sub-rule (2) of Rule 33, the Registrar shall enquire into the objections and after considering the evidence, if any adduced in support thereof pass, orders on the objections and call upon the receiver to revise, if necessary, the provisional statement in accordance with his orders. The Registrar shall fix a date by which revision is to be made and intimate

orally or in writing such date to the persons who have appeared in person or through their advocates on the date of the hearing.

**36.Final orders of settlement by Registrar: —**

(1) As soon as possible thereafter and at least ten days before the date fixed under Rule 35, the Receiver shall submit to the Registrar a fresh list of subscribers or other persons to whom or from whom moneys are due and fresh proposals for the distribution of the available chit assets after making such further enquiry as may be necessary. The Registrar shall thereupon consider the said list and proposals and approve or modify them in such

manner as he considers necessary. The Registrar shall pass final orders accordingly on the date fixed under Rule 35 for the collection and distribution of the Chit assets. The Registrar may also pass such orders as may be necessary for the distribution of the available chit assets in case such assets happen to be insufficient to meet the sums which have to be paid to the subscribers.

(2) 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.

**37.Provision for expenses of winding up: —**

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 other items of expenditure as are incidental to the winding up and such estimated amount shall first be provided for and deducted from the value of the chit assets and the balance amount shall also be proposed for distribution in the provisional statement and the fresh list mentioned in Rule 36.

**38.Filing of Final accounts by Receiver: —Top**

(1) Upon the termination of the proceedings relating to the winding up, the Receiver shall file his final accounts with the Registrar within fifteen days of such final accounts being passed by the Registrar and the balance of money in the hands of the Receiver shall be paid to the Registrar. The Receiver shall also state how the

balance amount may be disposed of together with the reasons for his proposals. He shall also deposit with the Registrar all books, accounts and all other records relating to the chit which has been wound up.

(2) The Receiver may, thereafter apply to the Registrar for a certificate of discharge from the duties as Receiver and for the vacating of his recognizance bonds entered into by him and the sureties, if any. On receipt of such application, the Registrar may pass orders of such discharge and

vacating of the bonds and for disposal of the final balance of the chit assets, if any.

#### **39.Final order of winding up by the Registrar : —**

(1) After the affairs of a chit have been completely wound up, the Registrar shall make an order recording the fact of such winding up.

(2) A copy of such order shall be exhibited on the notice board of the Registrar.

#### **40.Disposal of Records : —Top**

The Books and papers of a chit which has been completely wound up and of the Receiver shall be retained and disposed of in such manner as the Registrar may direct.

#### **41.Meetings: —**

When the number of subscribers is large and the Registrar, whether on an application of the Receiver or not, at any stage considers that a meeting of all such parties is necessary in order to ascertain their wishes in any matter, the Registrar may pass an order for holding such a meeting. The Registrar may direct the manner in which and the time and place at which the meeting shall be held and the Receiver shall convene and hold the meeting accordingly.

## **CHAPTER – V FEES**

#### **42.Table of Fees: —**

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

**43.Receipt for fees: —**

The Registrar shall grant receipts for all fees received by him.

**44.Refund of fees: –Top**

The Registrar 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 where such registration or filing is not actually effected or the service is not actually rendered.

## **CHAPTER – VI**

### **DISPUTES AND ARBITRATION**

**45.Reference of dispute: —**

A reference of a dispute under Section 64 shall be made in writing to the Registrar in Form XVII. Wherever necessary, the Registrar may require the party referring the dispute to him to produce a certified copy of the relevant records on which the dispute is based and such other statements or records as may be required by him before proceeding with the consideration of such reference.

**46.Registrars satisfaction regarding existence of a dispute: —**

Where any reference of a dispute is made to the Registrar or any matter is brought to his notice, the Registrar shall, on the basis of the reference (if any) made to him in Form XVII and the relevant records and statements submitted to him, record his decision together with the reasons therefor, whether he is or is not satisfied about the existence of a dispute within the meaning of Section 64. Such recording of decision shall be sufficient proof of the Registrar’s satisfaction whether the matter is or is not a dispute, as the case may be.



**47. Disposal of a dispute or reference to a nominee: —**

(1) Where the Registrar is satisfied that there is a dispute, the Registrar may decide himself or refer it to his nominee, for disposal.

(2) Neither the Registrar nor his nominee shall take up for consideration any dispute, unless the parties concerned comply with the condition of affixing the court fees specified in Rule 57 of these rules for determining the dispute.

**48. Qualifications for appointment as Registrars nominees: —Top**

(1) The State Government or the Registrar of Chits may appoint a person to be a Registrar's nominee provided that, —

(a) he has practiced as an Advocate, Pleader or Vakil for not less than five years; or

(b) he is enrolled as an advocate or holds a degree or other qualification in law of any university established by law or of any other authority which entitles him to be enrolled as an Advocate; or

(c) he has held office not lower in rank than that of Sub-Registrar of Chits / Assistant Registrar of Chits for not less than five years;

(d) he possesses good knowledge and experience of chit fund legislation and practice.

(2) The State Government or Registrar of Chits may by a notification in the Official Gazette, appoint as many persons as may be necessary to act as Registrar's nominees for settlement of disputes arising under the Act.

**49. Procedure for hearing and decision of disputes: —**

(1) The Registrar or his nominee shall record either in english or in the official language of the State i.e., Telugu, the evidence of the parties to the dispute and the witnesses who attend. Upon the evidence so recorded, and upon consideration of any documentary evidence produced by the parties, a decision shall be given by him in writing. Such decision shall be pronounced in the open court, either at once or as

soon as may be practicable on some future day, of which due notice shall be given to the parties.

(2) Where neither party appears when the dispute is called out for hearing, the Registrar or his nominee may make an order that it be dismissed for default.

(3) Where the opponent appears and the disputant does not appear when the dispute is called out for hearing, the Registrar or his nominee may make an order that the dispute be dismissed, unless the opponent admits the claims or a part thereof, in which case the Registrar or his nominee, as the case may be, may make an order against the opponent upon such admission, and where, only part of the claim is admitted, may dismiss the dispute in so far as it relates to the remainder.

(4) Where the disputant appears and the opponent does not appear when the dispute is called out for hearing, then if the Registrar or his nominee is satisfied from the record and proceedings that the summons was duly served, the Registrar or his nominee may proceed with the dispute ex-parte. Where the summon is served by any officer of the Registrar or his nominee, he shall make his report of service on oath.

(5) The Registrar or his nominee may not ordinarily grant more than two adjournments to each party to the dispute at his request. The Registrar or his nominee may, however, at his discretion grant such further adjournments on payment of such costs to the other side and such fees to the Registrar or his nominee, as the Registrar or his nominee, as the case may be, may direct.

(6) Any party to a dispute may apply for and obtain a certified copy of any order, judgement or award made by the Registrar or his nominee on payment of fees, at the rate prescribed in Appendix-II.

**50. Summons, notices, and fixing of dates, place etc., in connection with the disputes: —**  
Top

(1) The Registrar or his nominee, as the case may be, may issue summons or notices at least fifteen days before the date fixed for the hearing of the dispute requiring: (i)

the attendance of the parties to the dispute, and of witness if any; and (ii) the production of all books and documents relating to the matter in dispute.

(2) Summons or notices issued by the Registrar or his nominee may be served through the Mandal Revenue Officer / Tahsildar or any employee of the Chit Department or by registered post with acknowledgement due.

(3) The Officer serving summons or notice, shall in all cases in which summons or notice has been served, endorse or annex or cause to be endorsed on or annexed to, the original summons or notice, a return stating the time when, and the manner in which the summons or, as the case may be, notice was served, and the name and address of the person (if any) identifying the person served and witnessing the delivery or tender of the summons or the notices

. (4) The official issuing the summons or notice may examine the serving officer on oath or cause him to be so examined by the officer through whom it is served and may make such further enquiry in the matter as he thinks fit, and shall either declare that the summons or notice, as the case may be, has been duly served or order it to be served in such manner as he thinks fit.

(5) The mode of serving summons and notices as laid down in sub-rule (1) to (4) shall mutatis mutandis apply to the service of summons or notices issued by the Registrar or the person authorize by him, when acting under Section 46.

#### **51. Investigation of claims and objections against any attachment: —**

Where any claim or objection has been preferred against the attachment of any property under Section 68 on the ground that such property is not liable to such attachment, the Registrar, or his nominee, as the case may be, shall investigate into the claim or objection and dispose it of on merits.

Provided that, no such investigation shall be made if the Registrar or his nominee considers that the claim or objection is frivolous.

#### **52. Procedure for the custody of property attached under Section 68: —Top**

(1) Where the property to be attached is movable property other than agricultural produce in the possession of the debtor, the attachment shall be made by actual seizure and the attaching officer shall keep the property in his own custody or in the custody of one of his subordinates, or of a Receiver, if one is appointed under sub-rule (2) and shall be responsible for the due custody thereof;

Provided that when the property seized is subject to speedy and natural decay, or when the expenses of keeping it in custody are likely to exceed its value, the attaching officer may sell it at once.

(2) Where it appears to the officer ordering conditional attachment under Section 68 to be just and convenient, he may appoint a Receiver for the custody of the movable property attached under that Section and his duties and liabilities shall be identical with those of a Receiver appointed under Order XL in the First Schedule to the Code of Civil Procedure, 1908.

(3) (i) Where the property to be attached is immovable, the attachment shall be made by an order prohibiting the debtor from transferring or charging the property in any way and all persons from taking any benefit from such transfer or charge.

(ii) The order shall be proclaimed at some place on, or adjacent to, such property by beat of drum or other customary mode, and a copy of the order shall be fixed on a conspicuous part of the property and upon a conspicuous part of the village chavadi, and where the property is land, which is being assessed for paying revenue to the State Government, also in the office of the Collector of the District and in offices of the Revenue Divisional Officer and the Mandal Revenue Officer / Tahsildar within whose Jurisdiction the property is situated.

**53.Procedure for attachment and sale of property for realization of any security given by person in course of execution proceedings: —**

The procedure laid down in Rules 51 and 52 shall mutatis mutandis apply for attachment and sale of property for the realization of any security given by a person in the course of execution proceedings.

**54.Issue of proclamation prohibiting private transfer of property: —**

The Registrar when acting under clause (a) of Section 71 shall, at the time of signing a certificate affecting any property, issue a proclamation in Form XVIII and in the case of immovable property shall also forward a copy of the proclamation to the Mandal Revenue Officer / Tahsildar or any other revenue officer within whose jurisdiction the property is situated, who shall cause an entry about such certificate to be made in the Record of Rights.

**55.Procedure for execution of awards: —Top**

(1) Every order or award passed by the Registrar, or his nominee under Section 68 or 69 shall be forwarded by the Registrar to the foreman or to the party concerned with instructions that the foreman or, as the case may be, the party concerned should initiate execution proceedings forthwith according to the provisions of Section 71.

(2) If the amount due under the award is not forthwith recovered, or the order thereunder is not carried out, it shall be forwarded to the Registrar with an application for execution along with all information required by the Registrar,

for the issue of certificate under Section 71. The applicant shall state whether he desires to get it execute the award through a civil court or through the revenue authorities as provided under Section 71.

(3) On receipt of such application for execution, the Registrar shall forward the same to the proper authority for execution along with a certificate issued by him under Section 71 and a proclamation issued under Rule 54 in the manner prescribed therein.

(4) Every order passed in appeal under Section 70 shall also be executed in the manner laid down in sub-rules (2) and (3).

**56.Transfer of property which cannot be sold : —**

(1) When, in execution of an order sought to be executed under Section 71, any property cannot be sold for want of buyers, if such property is in the possession of the defaulter or of some person on his behalf, or of some person claiming it under a

title created by the defaulter subsequent to the issue of the certificate by the Registrar under clause (a) or (b) of the said Section, the officer conducting the execution shall as soon as practicable report the fact to the Court or the Collector or the Registrar as the case may be, and the judgement creditor applying for the execution of the said order.

(2) On receipt of a report under sub-rule (1) the judgement creditor may within six months from the date of the receipt of the report or within such further period as may for sufficient reasons be allowed in any particular case by the Court or the Collector or the Registrar, submit an application in writing to the Court, the Collector or the Registrar, as the case may be, stating whether or not he agrees to take over such property.

(3) On receipt of an application under sub-rule (2), notices shall be issued to the defaulter and to all persons known to be interested in the property, including those whose names appear in the Record of Rights as persons holding any interest in the property, about the intended transfer.

(4) On receipt of such notice, the defaulter, or any person owning such property, or holding an interest therein by virtue of a title acquired before the date of the issue of a certificate under Section 71 may within one month from the date of the receipt of such notice, deposit with the Court or the Collector or the Registrar, for payment to the foreman a sum equal to the amount due under the order sought to be executed together with interest thereon and such additional sum for payment of costs and other incidental expenses as may be determined in this behalf by the Court or the Collector or the Registrar, as the case may be.

(5) On failure of the defaulter, or any person interested, or any person holding any interest in the property, to deposit the amount under sub-rule(4), the Court or the Collector or the Registrar, as the case may be, shall direct the property to be transferred to the judgement creditor on the conditions stated in the certificate in Form XIX.

(6) The Certificate granted under sub-rule (5) shall state whether the property is transferred to the judgement creditor in full or partial satisfaction of the amount due to him from the defaulter.

(7) If the property is transferred to the judgement creditor in partial satisfaction of the amount due to him from the defaulter, the court or the Collector or the Registrar, as the case may be, shall on the production by the judgement creditor of a certificate signed by the Registrar, recover the balance due in the manner laid down in Section 71.

**(8)The transfer of the property under sub-rule (5) shall be effected as follows: —**

**(i)In the case of movable property: —Top**

(a) Where the property is in the possession of the defaulter himself or has been taken possession of on behalf of the Court or the Collector or the Registrar, it shall be delivered to the judgement creditor.

(b) Where the property is in the possession of some person on behalf of a defaulter, the delivery thereof shall be made by giving notice to the person in possession directing him to give actual peaceful possession to the judgement creditor and prohibiting him from delivering possession of the property to any other persons.

(c) The property shall be delivered to a person authorized by the judgement creditor to take possession on behalf of him.

**(ii) In the case of immovable property: —**

(a) Where the property is growing or standing crop, it may be delivered to the judgement creditor before it is cut and gathered and the judgement creditor shall be entitled to enter on the land, and to do all that is necessary for the purpose of tending and cutting and gathering it;

(b) Where the property is in the possession of the defaulter or of some person on his behalf or some person claiming under a title created by the defaulter subsequent to the issue of a certificate under Section 71, the Court or the Collector or the Registrar, as the case may be, shall order the delivery to be made by putting

the judgement creditor or any person whom he may appoint to receive delivery on his behalf in actual possession of the property and if need be, by removing any person who illegally refuses to vacate the same.

(c) Where the property is in the possession of a tenant or other persons entitled to hold the same by a title acquired before the date of issue of a certificate under Section 71, the Court or the Collector or the Registrar as the case may be, shall order delivery to be made by affixing a copy of the certificate of transfer of the property to the judgement creditor in some conspicuous place on the property and proclaiming to such

person by beat of drum or other customary mode at some convenient place that the interest of the defaulter has been transferred to the judgement creditor.

(9) The judgement creditor shall be required to pay expenses incidental to sale including the cost of maintenance of livestock, if any, according to such scale as may be fixed by the Registrar from time to time.

(10) Where land is transferred to the judgement creditor under sub-clause (a) of clause (ii) of sub-rule (8) before the growing or standing crop is cut and gathered, the judgement creditor shall be liable to pay the current year's land revenue on the land.

(11) The judgement creditor shall forthwith report any transfer of property under sub-clause (b) or (c) of clause (ii) of sub-rule (8) to the Village Assistant for information and entry in the Record of Rights.

(12) The judgement creditor to whom property is transferred under sub-rule(5) shall maintain for each such defaulter a separate account showing all the expenses incurred including payment to outside encumbrances, land revenue and other dues on the property and all the income derived from it.

(13) The judgement creditor to whom property is transferred under sub-rule (5) shall use his best endeavor to sell the property as soon as practicable to the best advantage of the foreman as well as that of the defaulter, the first option being



always given to the defaulter who originally owned the property. The sale shall be subject to confirmation by the Registrar. The proceeds of the sale shall be applied to defraying the expenses of the sale and other expenses incurred by the judgement creditor and referred to in sub-rules (9) and (12) and to the payment of the arrears due by the defaulter under the order in execution, and the surplus (if any), shall then be paid to the defaulter.

(14) Until the property is sold, the judgement creditor to whom the property is transferred under sub-rule (5) shall use his best endeavors to lease it or to make any other use that can be made of it so as to derive the largest possible income from the property.

(15) When the judgement creditor to whom property is transferred under sub-rule (5) has realized all his dues, under the order in execution of which the property was transferred, from proceeds of management of the property, the property, if unsold, shall be restored to the defaulter.

#### **57.Payment of fees for decisions of disputes: —Top**

(1) The Registrar or his nominee, as the case may be, on an application in Form XVII and on payment of fees by way of Court fee stamps prescribed therefor in Appendix II may take a dispute on file.

(2) No documents of any kind specified below shall be filed before the Registrar or his nominee unless it is affixed with proper Court fee stamps as specified below.

#### **Proper Court Fee (Rs.)**

(i) Vakalatnama	2.0
(ii) Application for adjournment	10.00
(iii) Application for interim stay or relief	25.0

Provided that, in case of non-availability of Court fee stamps or as directed by the Registrar, in writing, the proper Court fee shall be paid in cash for the purposes of this rule.

(3) (a) The Registrar or his nominee deciding any dispute may require the party or parties to the dispute to deposit such sum as may in his opinion be necessary to meet the expenses including payment of fees to the Registrar or his nominee, as the case may be.

(b) The Registrar or his nominee shall have power to order the fees and expenses of determining the dispute to be paid by the foreman out of his funds or by such party, or parties to the dispute, as he may think

fit, according to the scale laid down by the Registrar, after taking into account the amount deposited as above.

(c) The Registrar may, by general or special order, has to specify the scale of fees and expenses to be paid to him or his nominee

## **CHAPTER – VII**

### **MISCELLANEOUS**

#### **58.Appeal to be in writing: —Top**

(1) An appeal under Section 70 or under sub-sections (1) and (2) of Section 74 shall be in writing and shall be either presented in person or sent by registered post to the State Government or to such officer or authority (hereinafter referred to as the appellate authority) as may be empowered by notification in the official Gazette by the State Government in that behalf.

(2) The appeal shall be in the form of a memorandum accompanied by fee by way of Court Fee Stamps prescribed in Appendix II. In case of non-availability of Court fee stamps or as directed, in writing, by the Government, or the Officer or Authority, as the case may be, the person preferring an appeal shall pay the Court fee in cash.

(3) Every appeal shall:

- (a) specify the names and addresses of the appellant as well as the respondent;
- (b) state by whom the order appealed against was made;
- (c) set forth concisely and under distinct heads the grounds of objections to the order appealed against with a memorandum of evidence;
- (d) state precisely the relief which the appellant claims; and
- (e) give the date of the order appealed against.

**59.Hearing and disposal of appeal: —**

(1) On receipt of the appeal, the appellate authority shall as soon as possible examine it and ensure that —

- (a) the appeal memorandum is affixed with Court fee stamps of the value specified in rule 58(2);
- (b) the person presenting the appeal has the locus stand to do so;
- (c) it is made within the specified time limit; and
- (d) it conforms to all the provisions of the Act and the Rules.

(2) In the proceedings before the appellate authority, the appellant and the respondent may be represented by an agent holding a power of attorney or by a legal practitioner.

(3) The appellate authority, on the basis of the enquiry conducted and with reference to the records examined, pass such order on appeal as may deem just and reasonable.

(4) Every order of the appellate authority under sub-rule (3) shall be in writing and it shall be communicated to the parties concerned and the Registrar.

**60.Period of retention of records by the Registrar: —Top**

The records of a chit including registers and books of account shall be preserved in the Office of the Registrar for eight years, —

(a) from the date of release of the security in the case of chits which are terminated; and

(b) from the date when the affairs of the chit are completely wound up in cases dealt within Chapter X of the Act and if orders passed under that Chapter are appealable from the date of disposal of the appeal.

**61.Register of Records kept: —**

Every Registrar shall keep a separate register in which shall be entered particulars of all records relating to chits registered in his office.

**62.Compounding of offences arising under the Act: —**

(1) Any officer empowered by the State Government shall issue a show cause notice before taking any action under Section 76 or Section 77 of the Act against any person who has committed or is reasonably suspected to have committed any offence under the Act or Rules made thereunder, asking him to show cause within a period of fifteen days, why action under the said Section 76 or under Section 77 of the Act, as the case may be, should not be taken against him.

(2) Notwithstanding anything contained in the said provisions,

(i) any officer empowered by the State Government to compound any offence committed under the Act or reasonably suspected to have committed any offence under the Act may and rules made thereunder compound the said offence committed by any person, either before or after the institution of the criminal proceedings under the Act. Provided that a proposal by such officer to compound the offence is approved by an officer authorized by the State Government in this behalf.

(ii) On approval of the said proposal by the authorized officer referred to above, the officer empowered to compound the offence shall send an intimation in writing in that behalf to that person specifying therein —

(a) a sum determined by way of composition not exceeding the amount of fine prescribed for the relative offence;

(b) the date on or before which the sum shall be paid.

**63. 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 not exceed twelve percent per annum.**

**64. Delegation of duties of the Registrar of Chits: —**[Top](#)

The Registrar of Chits may delegate all or any of the duties vested in him under the Act to Officers notified under sub-section (1) of Section 61 of the Act.

**65. Registers, records, books and periodicals to be maintained by the authorities under Chit Funds Act, 1982: —**

The Registrar, to achieve uniformity all over the State, may prescribe from time to time the proformas for various registers, records, books and periodicals and the authorities under the Act shall scrupulously maintain these as prescribed.

**Principal Secretary to Government  
Commissioner & Inspector General of Registration and Stamps,  
Hyderabad.**