

Chit Funds Act, 1982

Section 20 - Security to be given by foreman.—

1) For the proper conduct of the chit, every foreman shall, before applying for a previous sanction under section 4, 1 [(a) deposit in the name of the Registrar, an amount equal to, (i) fifty per cent. of the 2[gross chit amount] in cash in an approved bank; and (ii) fifty per cent. of the 2[gross chit amount] in the form of bank guarantee from an approved bank; or] (b) transfer Government securities of the face value or market value (whichever is less) of not less than one and a half times the 2[gross chit amount] in favour of the Registrar; or (c) transfer in favour of the Registrar such other securities, being securities in which a trustee may invest money under section 20 of the Indian Trusts Act, 1882 (2 of 1882), of such value, as may be prescribed by the State Government from time to time: Provided that the value of the securities referred to in clause (c) shall not, in any case, be less than one and a half times the value of the 2[gross chit amount]. (2) Where a foreman conducts more than one chit, he shall furnish security in accordance with the provisions of sub-section (1) in respect of each chit. (3) The Registrar may, at any time during the currency of the chit, permit the substitution of the security: Provided that the face value or market value (whichever is less) of the substituted security shall not be less than the value of the security given by the foreman under sub-section (1). (4) The security given by the foreman under sub-section (1), or any security substituted under sub-section (3), shall not be liable to be attached in execution of a decree or otherwise until the chit is terminated and the claims of all the subscribers are fully satisfied. (5) Where the chit is terminated and the Registrar has satisfied himself that the claims of all the subscribers have been fully satisfied, he shall order the release of the security furnished by the foreman under sub-section (1), or the security substituted under sub-section (3), as the case may be, and in doing so, he shall follow such procedure as may be prescribed. (6) Notwithstanding anything to the contrary contained in any other law for the time being in force, the security furnished under this section shall not be dealt with by the foreman during the currency of the chit to which it relates and any dealing by the foreman with respect thereto by way of transfer or other

Section 21 - encumbrances shall be null and void