

CHAPTER 190

CHEETUS

Ordinances AN ORDINANCE TO PROVIDE FOR THE REGISTRATION AND CONTROL OF "CHEETUS
 Nos.61 of 1935,
 18 of 1939,
 54 of 1941,
 12 of 1945,
Acts.
 Nos.55 of 1949,
 22 of 1955,
 34 of 1957.

[1st April. 1937.]

PART I
PRELIMINARY

Short title. 1. This Ordinance may be cited as the *Cheetu* Ordinance.

interpretation. 2. In this Ordinance, unless the context otherwise requires—

" agreement " means the document which contains the terms and conditions agreed to and adopted by the subscribers and the manager of a *cheeiu* ;

" *cheetu* " means a scheme or arrangement based wholly on the terms and conditions set out in section 3 but does not include any scheme or arrangement which only partakes of the nature of a *cheeiu* within the meaning of section 4 ;

" *cheetu* amount" means the pool or the aggregate of the instalments payable on any specified day or in respect of any specified interval;

" discount" means that portion of the *cheeiu* amount which the subscriber who purchases ii agrees to forego ;

"dividend" means the share of the discount payable to each subscriber;

" instalment " means the sum of money payable periodically by each subscriber under the agreement;

" manager" means the person who promotes the *cheeiu* and who is responsible under the agreement for its management;

" prize " or " prize amount " means the difference between the *cheetu* amount and the discount;

" registrar", in relation to any *cheetu*, means the Registrar of Companies and includes any such officer of the department of the Registrar of Companies as may be authorized by the Registrar of Companies to exercise the powers and discharge the duties of the Registrar of Companies under this Ordinance; [§2.34 of 1957-]

" subscriber" includes any person who has agreed to participate in a *cheeiu* or has signed the agreement in token thereof.

PART II

" CHEETUS "

3. (1) No scheme or arrangement purporting to be a *cheetu* shall be deemed to be a *cheetu* lor the purposes of this Ordinance, unless at the time of the formation of that scheme or arrangement the persons joining as subscribers and the person acting as manager agree upon and adopt each of the following essential terms and conditions :— Essential terms and conditions of a *cheetu*.

(a) that the *cheetu* is to be for a specified amount and for a specified number of subscribers only;

(b) that the subscribers are to contribute equal portions of the amount;

- (c) that the contribution of each subscriber is to be paid to the manager in money in equal instalments of a specified value during a specified period not exceeding thirty months;
 - (d) that each instalment is to be payable on a date specified therefor or within such number of days of grace after that date as may be specified,
 - (e) that on or after each date on which the instalments are payable, the *cheelu* amount is to be put up for sale by the manager among the subscribers either by auction or by way of sealed tenders ;
 - (f) that each of the subscribers is to be entitled to purchase the *cheelu* amount once and not oftener during the period of that *cheelu*, and that no subscriber who has been declared the purchaser at any such sale is to be entitled or permitted to bid or tender at any subsequent sale;
 - (g) that every bid or tender of a subscriber at a sale is to indicate the sum which he is willing to forego as discount for the privilege of obtaining the prize on that occasion;
 - (h) that of the subscribers entitled to bid at any sale, the subscriber who offers the highest discount is to be declared the purchaser;
 - (i) that the purchaser is to be entitled to receive the prize consisting of the *cheelu* amount less the discount offered by him, on giving security to the manager for the due payment of his future instalments in respect of that *cheelu*;
 - (j) that out of the discount so secured at each sale, the manager is to appropriate for commission and working expenses a specified sum or a sum bearing a specified proportion to the prize at that sate ,
 - (k) that the balance of the discount is to be distributed in equal proportion among all the subscribers.
- (2) In every case where the manager of a *cheelu* desires to participate therein as a subscriber, it shall also be obligatory to adopt, in addition to the terms and conditions set out in subsection (1), the condition that he is not to be entitled to bid or tender as an ordinary subscriber at any sale held for the purposes of that *cheelu*, and that the final *cheelu* amount made up of the instalments payable at the end of the *cheelu* period is to be appropriated by him for his share,
- 4.** Every scheme or arrangement which, notwithstanding that it purports to be a *cheelu*. is not based wholly on the essential terms and conditions set out in section 3 or which is based on terms and conditions inconsistent wholly or in part with those essential terms and conditions, shall for the purposes of this Ordinance be deemed only to partake of the nature of a *cheelu*.
- Explanation I.*—A scheme or arrangement under which the right to a prize is determined by the drawing of lots is not a *cheelu* but only partakes of the nature of a *cheelu*.
- Explanation II* A scheme or arrangement under which all the subscribers are to get prices in turn with a liability to pay future contributions but the prices themselves are of fixed amounts and not ascertainable by the deduction of the discount offered from the *cheelu* amount in each case, is not a *cheelu* but only partakes of the nature of a *cheelu*.
- 5.** (1) No person shall promote or conduct, or aid, assist, or take any part in the promotion or conduct of, any scheme or arrangement which only partakes of the nature of a *cheelu* within the meaning of section 4.
- (2) No right or claim under any scheme or arrangement which only partakes of the nature of a *cheelu* within the meaning of section 4, shall be enforceable by action in any court in Sri Lanka.
- 6.** (1) No person shall promote or conduct, or aid, assist, or take any part in the promotion or conduct of, any *cheelu* otherwise than in accordance with the provisions of this Ordinance.

Schemes which only partake of the nature of a *cheelu*.

Prohibition of schemes which only partake of the nature of a *cheelu*.

Prohibition of *cheelus* conducted in contravention of the Ordinance.

(2) Any scheme or arrangement which is based wholly on the essential terms and conditions set out in section 3 or has all the attributes and incidents of a *cheetu* within the scope and intent of that section, shall, notwithstanding that it is called by any other name, be deemed to be a *cheetu* for the purposes of this Ordinance.

(3) Nothing in this section shall effect any *cheetu* in which the *cheetu* amount does not exceed fifty rupees, if the person conducting that *cheetu* does not, during the period for which that *cheetu* continues, promote or conduct, or aid or assist or take any part in the promotion or conduct of any other *cheetu* whatsoever.

PART 111

FORMATION AND REGISTRATION OF "CHEETUS"

Formation of *cheetus*.

7. (1) Subject to the provisions of Part V relating to the formation of *cheetus* by companies or firms or by individuals trading under business names, every *cheetu* shall be formed by the execution of a written agreement between the manager on the one part and the intending subscribers severally on the other part.

Requisites of the agreement.

(2) Every such agreement shall contain

(a) all the essential terms and conditions set out in section 3 with the actual amounts, dates, and other particulars necessary in each case ;

(b) the full "name and address of the manager and of each of the subscribers, the business address of the manager or the exact situation of the place where the records of the *cheetu* are to be kept and its business is to be transacted,

and may in addition contain such other terms and conditions not inconsistent with the essential terms and conditions as may be agreed upon between the parties for the better management and control of the *cheetu*.

(3) In respect of every *cheetu*, the agreement as aforesaid shall be signed in original and duplicate by the manager and the several intending subscribers, either in person or by duly authorized agent, and each signature shall be attested by not less than two witnesses present at the time of signing.

8. (1) As soon as may be after the agreement has been signed by each intending subscriber, the manager shall give him a written acknowledgment that that subscriber is entitled to participate in the *cheetu*. Duty of manager to acknowledge subscriber's rights

(2) Within twenty-one days, exclusive of public holidays, after the formation of a *cheetu* under section 7, the manager of the *cheetu* shall deliver or transmit the agreement in original and duplicate to the registrar. and to forward agreement for registration.

9. The registrar shall, if the agreement is in accordance with the requirements of this Ordinance and the regulations made thereunder, forthwith— Duties of the registrar.

- (a) register the *cheetu* in a book kept by him for the purpose ;
- (b) endorse the fact of the registration and the registered number under his signature on each of the copies ;
- (c) return the original so endorsed to the manager; and
- (d) file the duplicate so endorse in his office,

10. Within seven days of the receipt of the original endorsed by the registrar, the manager shall deliver or transmit to every subscriber a copy, certified under his signature as a true copy, of the agreement and of the endorsement made thereon by the registrar. Duty of manager to furnish copies of registered agreement to subscribers.

PART IV

CONDUCT OF "CHEETUS"

11. Every *cheetu* shall be conducted in accordance with the provisions of this Ordinance and the regulations made thereunder and the terms and conditions of the agreement relating to that *cheetu*. Conduct of cheetus

Meetings of subscribers..

12. (1) Where the provisions of the Ordinance or the regulations made thereunder or the terms and conditions of the agreement require any matter to be decided by a meeting of the subscribers, the manager shall convene a meeting for the purpose by written notice served on each of the subscribers not less than seven days before the date selected by him for the meeting.

(2) Every such notice shall state the time and place at which the meeting is to be held, and the business to be transacted at the meeting.

(3) The notice may either be served personally on each subscriber or sent to him by registered or certified post; and any notice sent to a subscriber by registered post shall be deemed to have been duly served if it was addressed to the registered address of that subscriber or to any other address notified by him in writing to the manager.

13. (1) The manager shall enter in a book to be kept by him for the purpose the minutes of the proceedings of every meeting of the subscribers, and the minutes shall in every case contain the following particulars :-

- (a) the place, date, time, and duration of the meeting;
- (b) the names of the subscribers who were present;
- (c) the items of business transacted at the meeting;

and in the case of a meeting at which a *cheetu* amount is auctioned, the following additional particulars:—

- (d) the serial number of the auction ;
- (e) the name of each bidder and the amount of each bid ;
- (f) the name of the purchaser; and
- (g) the amount of the discount.

(2) The minutes of each meeting shall be entered in the book immediately after the

meeting and shall be signed in every case by the manager and by not less than two of the subscribers present at the meeting, and in the case of a meeting at which a *cheetu* amount is auctioned, by the purchaser also.

(3) A copy of the minutes so recorded of each meeting, certified as a true and correct copy under the hand of the manager, shall within twenty-one days of that meeting be forwarded by him to the registrar who shall file it in his office :

Copy of minutes to be filed in registrar's office.

Provided, however, that in lieu of this subsection the provisions of subsections (2) and (3) of section 14 shall apply to the minutes of any meeting at which any alteration of the terms and conditions of the agreement is adopted.

14. (1) Subject to the provisions of this Ordinance and the regulations made thereunder and subject also to any terms or conditions contained in the agreement as to the matters or the mode in which alterations of the agreement may be made, any alteration of the figures, amounts, dates, or other particulars which are not likely to affect the intention or the legal effect of the essential terms and conditions, or any alteration of the additional terms and conditions contained in any registered agreement, may be made at any meeting of the subscribers, duly convened for the purpose, by the votes of a majority the aggregate of whose instalments is not less than three-fourths of the *cheetu* amount.

Alteration of the agreement

(2) Within twenty-one days of each such meeting two copies of the minutes of that meeting, certified under the hand of the manager as true and correct copies, of the minutes recorded and signed in the manner required by section 13, shall be delivered or transmitted by him to the registrar.

and registration of the alteration.

(3) The provisions of sections 9 and 10, as to registration and service of copies on the subscribers, shall apply to the copies of the minutes so delivered or transmitted.

15. Every subscriber shall be entitled to a receipt under the hand of the manager each instalment paid by him.

Receipts for the instalments paid.

Minutes of meetings.

When first instalment may be received.

16. The manager shall not demand or receive payment of the first instalment due from any subscriber until he has complied with the requirements of section 10.

Security to be given by managers.

17. As soon as may be after the agreement is signed by the last of the intending subscribers, the manager shall execute as security for the due discharge of his duties and liabilities under the agreement, and shall forward to the registrar together with the original and the duplicate of the agreement, a bond hypothecating to the registrar, in trust for the subscribers, property, movable or immovable, sufficient for the realization of twice the cheetu amount, and approved by the registrar subject to such regulations as may be made for prescribing the conditions of such approval or the procedure to be followed.

[§4. 34 of 1957.]

Security to be given by purchaser of cheetu amount

18. (I) Every subscriber who is declared the purchaser of a cheetu amount shall, as a condition precedent to the payment of the prize amount to him by the manager, give security to the manager for the payment of the instalments due from him for the remainder of that cheetu period.

(2) Where any terms or conditions as to the security to be given by a subscriber upon his being declared the purchaser of a cheetu amount, have been included in the agreement relating to that cheetu or agreed upon at any duly convened meeting of the subscribers, the security required by subsection (I) shall be given in accordance with such terms or conditions; and in every other case, the security shall be given to the satisfaction of the manager subject to an appeal as hereinafter provided.

(3) Where the manager refuses to accept the security tendered by a subscriber on the ground that it is not in accordance with the terms and conditions referred to in subsection (2). or, where such terms and conditions have not been agreed upon, on the ground that it is not suitable or sufficient, the subscriber shall be entitled to appeal to the registrar against the refusal of the manager to accept the security. Every such appeal shall be preferred within such time and in such manner as may be prescribed by regulations.

(4) On any appeal preferred under subsection (3), the registrar may make order declaring that the security to which the appeal relates is in accordance with the terms and conditions referred to in subsection (2), or that it is suitable and sufficient, as the case may be, or directing the subscriber by whom the appeal is preferred to give such other security as may be specified in the order. Every order of the registrar under this subsection shall be final and conclusive for all the purposes of this Ordinance.

(5) On security being furnished by the subscriber as provided in subsection (2), or, in any case where there has been an appeal, in accordance with the order of the registrar, the manager shall forthwith pay the prize amount to the subscriber.

19. (1) Where, by reason of the failure of the subscriber purchasing any cheetu amount to give the security required under section 18, the prize amount remains unpaid on the date fixed for the auction of the next succeeding cheetu amount, the manager shall, within fourteen days after that date, deposit that prize amount in such bank as may be approved by the registrar.

Prize amount to be deposited in bank if security is not given by purchaser.

[§4. 34 of 1957.]

(2) Any prize amount deposited under subsection (1) may be withdrawn from the bank for payment to the purchaser on the requirements of section 18 as to security being complied with by the purchaser.

(3) In any case referred to in subsection (1), if security is not given within one month after the date of the deposit of the prize amount in a bank, the manager may either

(a) declare the next highest bidder at that sale to be the purchaser of the cheetu amount, and make payment to him of a prize amount according to his bid, on his furnishing security as required by section 18; or

(b) fix a date for a fresh sale of that cheetu amount and give not less than seven days' notice of the date to each of the subscribers then entitled to bid at a sale.

Substitution of new subscriber for defaulting subscriber who has not purchased any cheetu amount.

20. (1) Where default in the payment of any instalment is made by any subscriber who has not purchased a cheetu amount, the manager shall be entitled to remove the name of the defaulting subscriber from the register of subscribers kept under section 25 and to substitute therein the name of a new subscriber:

Provided, however, that the removal of the name from the register shall not be deemed to prejudice the right of the defaulting subscriber to a refund of the actual amount of any earlier instalments paid by him, at such lime and with such deductions by way of penalty as may be authorized by the terms and conditions of the agreement.

(2) Within twenty-one days of the substitution of a new subscriber under subsection (1), the manager shall deliver or transmit to the registrar two copies of a statement under his hand setting out the full particulars of the removal and the substitution, and the provisions of sections 9 and 10 as to registration and service of copies on the subscribers shall apply to the copies of the statement so delivered or transmitted.

(3) Upon the registration of (he manager's statement relating to the substitution of a new subscriber, all the rights and liabilities that would under the agreement have accrued to or been incurred by the defaulting subscriber after the date of such substitution if he had not made default, shall be deemed to be transferred to the new subscriber.

(4) No collateral undertaking as to mutual rights and obligations entered into by the manager and the new subscriber for the purposes of the substitution of the new subscriber, shall be deemed to affect in any respect the duties and liabilities of the new subscriber under the terms and conditions of the agreement.

Voluntary reduction of membership in lieu of substitution of new subscriber.

21. (1) In any case referred to in section 20, the manager may, before substituting a new subscriber in place of the defaulting subscriber whose name is removed from the register under that section, convene a meeting of the remaining

subscribers for the purpose of obtaining their consent to a reduction of the number of subscribers and of the cheetu amount by refraining from substituting a new subscriber in place of the defaulting subscriber.

(2) If at the meeting so convened, the subscribers by a majority representing not less than two-thirds of the cheetu amount at the time of the meeting, consent to such reduction and to the necessary alteration of the agreement, the manager shall take steps required by section 14 for the registration of the alteration.

(3) Upon the registration of the alterations made for the purposes of a voJiintary reduction under this section, every subscriber who is the purchaser of a cheetu amount sold at any auction prior to the date of the reduction, shall be liable to continue the payment of the instalments specified in the agreement until the aggregate amount so contributed by him becomes equal to the cheetu amount at the time of the sale at which he was declared the purchaser.

22. Where default in the payment of any instalment is made by a subscriber who has already purchased a cheetu amount, that subscriber shall be liable to make immediate payment to the manager of the aggregate of all the instalments payable by him to the end of the cheetu period.

Liability of defaulting subscribers to pay future instalments.

23. (1) Any subscriber who has not purchased a cheetu amount may make over his rights in the cheetu by a transfer in writing to any person approved by the manager.

Transfer of subscriber's rights.

(2) Notice of every transfer made under subsection (1) shall be given forthwith to the manager, in writing, signed by the transferor and the transferee.

(3) On receipt of the notice of any transfer made under subsection (1) the manager shall make the appropriate entries in the register of subscribers kept under section 25 and deliver or transmit a copy of the entries to the registrar within twenty-one days of the date on which they were made. The provisions of sections 9 and 10 as to

registration and service of copies on the subscribers shall apply to every copy delivered or transmitted under this subsection.

(4) Where the transfer of the rights of any subscriber under subsection (1). is proved at any time during the *cheeiu* period to have been made to any person who was insolvent at the time of the transfer or to have been made with the intention of defeating the provisions of any law in force in Sri Lanka, the transfer shall not be deemed to operate as a discharge to that subscriber from his duties and liabilities under the terms and conditions of the agreement.

(5) Notwithstanding anything contained in any other written law to the contrary, the stamp duty payable on any transfer under this section shall be fifty cents irrespective of the consideration for the transfer.

Transfer of manager's right to recover instalments to be voidable.

24. Any transfer made by the manager of his right to recover the instalments payable by subscribers who have purchased *cheeiu* amounts, shall be voidable at the instance of any subscriber who has not purchased a *cheetu* amount if such transfer is likely to defeat or delay the rights of that subscriber under the terms and conditions of the agreement.

Books to be kept by manager.

25. The manager shall keep, and from day to day regularly post up the following books and such other books as may from time to time be prescribed by regulation :—

- (1) A register of subscribers containing—
 - (a) the names and full addresses of all subscribers with the respective dates on which the subscribers signed the agreement, and the date on which any subscriber ceased to be a subscriber by reason of a transfer of rights or of a substitution in case of default;
 - (b) in the case of any transfer of rights by a subscriber, the name and full address of the

person to whom the rights are transferred, with the date of such transfer and the date on which notice thereof is given to the manager; and

- (c) the name and full address of any person substituted in place of defaulting subscribers, with the dates on which they are so substituted.
- (2) The minute book required under section 13,
- (3) An account book containing separate accounts of the following:—
 - (a) the instalments paid by each subscriber and the respective dates of such payments ;
 - (b) the prize amounts paid to purchasers of the *cheeiu* amount and the respective dates of such payments,
 - (c) the amount of the manager's commission or remuneration and the registration fees paid by him: and
 - (d) the amount of the dividend paid to each subscriber on each occasion and the date of such payment.

26. (I) The manager shall be liable to each subscriber for all amounts due to that subscriber under the terms and conditions of the agreement.

Manager's liability to subscribers.

(2) The manager shall not be entitled to withdraw from the management and conduct of the *cheeiu* without the written consent of all the subscribers,

(3) Where the manager is adjudicated an insolvent before payment in full of any debt due from him to any subscriber under the terms and conditions of the agreement relating to the *cheeiu*, that debt shall, notwithstanding anything contained in any other written law to the contrary, be a first charge upon any property acquired or held by him for the purposes of that *cheeiu*.

Manager's liability and right as participant in *cheetu*.

27. Where the terms and conditions of the agreement permit the manager to participate in the *cheeiu* as a subscriber, he shall be liable to pay the same instalments as the other subscribers, and shall be entitled to the last *cheetu* amount.

Continuance of *cheetu* on manager's death or incapacity.

28. When the manager of a *cheetu* dies or is incapacitated by unsoundness of mind, his legal representative or guardian, as the case may be, may in the absence of any provision to the contrary in the agreement, take the place of the manager and continue the *cheetu* or make suitable arrangements for its continuance.

For the purposes of this section legal representative shall mean an executor or administrator, or in the case of an estate below the value of twenty thousand rupees, the next of kin who have inherited the inheritance.

[§4, 24 of 1969.]

Termination of *cheetu*.

29. (1) A *cheetu* shall be deemed to terminate upon the occurrence of any of the following events;—

- (a) on the expiry of the *cheetu* period as specified in the agreement or curtailed by reason of any voluntary reduction of membership duly effected under section 21 ;
- (b) on the failure of the manager to conduct the *cheetu* in accordance with the provisions of the Ordinance, the regulations made thereunder and the terms and conditions of the agreement as lawfully altered for the time being;
- (c) when the manager is adjudicated an insolvent;
- (d) when the legal representative of a deceased manager or the guardian of a manager of unsound mind fails to continue the *cheeiu* or to make suitable arrangements for its continuance as required by section 28.

(2) Upon the termination of a *cheeiu* otherwise than by the expiry of the *cheeiu* period as specified in the agreement or

reduced under section 21, every subscriber who has not purchased a *cheeiu* amount shall be entitled either—

- (a) to recover from the manager or the manager's estate, as the case may be, the aggregate of the actual amounts contributed by that subscriber as instalments under the agreement prior to the termination of the *cheeiu*, or
- (b) to apply to a court of competent jurisdiction, by way of summary procedure under Chapter XXIV of the Civil Procedure Code, for an order—
 - (i) directing each subscriber who has drawn a prize amount in that *cheeiu* to deposit in court upon the due dates the several instalments, which, if the *cheeiu* had not terminated, would have been payable by such subscriber to the manager, until the aggregate of the amounts paid to the manager by that subscriber before the termination of the *cheetu* and of the amounts so deposited in court becomes equal to the *cheetu* amount at the time of the sale at which that subscriber was declared the purchaser; and
 - (ii) declaring that all amounts so deposited in court shall be divided rateably among the subscribers who have not drawn a prize amount in that *cheeiu*, and setting out for that purpose any scheme of distribution that may be necessary.

(3) Where any action is instituted by a subscriber for the enforcement of a claim under paragraph (a) of subsection (2), the manager or the manager's legal representative or guardian, as the case may be, may apply for an order of court under paragraph (b) of subsection (2) in like manner as a subscriber and any sum of money that may be received under such an

order by the subscriber instituting the action, shall be set off against the amount claimed by him in the action.

PART V

SPECIAL PROVISIONS RELATING To COMPANIES. FIRMS AND INDIVIDUALS TRADING UNDER BUSINESS NAMES

Restrictions on operations of companies, Firms, and individuals with business names.

30. It shall not be lawful for any company or firm or for any individual carrying on business under a business name which does not consist of his true full name without any addition, to promote or to form a *cheelu* unless that company or firm or such individual is duly registered and has deposited security in accordance with the provisions of this Part.

Registration of companies, firms, and individuals with business names.

31. (1) Where any company, or firm, or any individual with a business name desires to conduct a *cheelu*, the registration required by section 30 shall be effected at the office of the registrar,

[\$5.34 of 1957.]

* (3) Every application for registration shall be in the prescribed form and shall be presented to the registrar.

[\$5. 34 of 1957.]

(4) Every application for registration made by a company shall be accompanied by such documents as may be necessary to prove to the satisfaction of the registrar—

- (a) that the company has been registered or incorporated under any law relating to joint stock companies in force in Sri Lanka;
- (b) that it has a fully paid-up capital of not less than ten thousand rupees in cash; and
- (c) that it is not carrying on the business of banking or insurance or any business in the nature of banking or insurance or any kind of trade.

(5) Every application for registration made by a firm shall be accompanied by such documents as may be necessary to prove to the satisfaction of the registrar—

(a) that the firm has been registered under any law relating to the registration of business names in force in Sri Lanka ;

(b) that it has a capital of not less than ten thousand rupees in cash; and

(c) that it is not carrying on the business of banking or insurance or any business in the nature of banking or insurance or any kind of trade.

(6) Every application for registration made by an individual with a business name shall be accompanied by such documents as may be necessary to prove in respect of that individual to the satisfaction of the registrar the facts enumerated in subsection (5).

(7) The registrar may in his discretion disallow any application for registration made to him.

(8) If the registrar decides to allow any application, he shall enter the particulars set out therein in a register of *cheelu* promoters, and shall issue to the applicant a certificate of registration in such form as may be prescribed by regulation.

32. If at any time the registrar has reasonable cause to believe that any company, firm, or individual registered under section 31 has ceased to have the capital, or has commenced any kind of business or trade, specified in that section, he may by notice in writing call upon that company, firm, or individual to show cause why the name of the company, firm, or individual should not be removed from the register, and if sufficient cause is not shown he may remove the name accordingly and recall and cancel the certificate of registration.

Cancellation of registration.

33. The certificate of registration issued under section 31, or a certified copy of that certificate, shall, so long as it remains valid, be kept exhibited in a conspicuous position at the principal place of business of the company, firm, or individual or at the place

Certificate of registration

* Subsection (2) is repealed by Act No. 34 of 1957.

+ Joint Stock Companies Ordinance has been repealed by Ordinance No. 51 of 1938, which in turn has been repealed by the Companies Act, No. 17 of 1982.

of business in the district to which the certificate relates, and in the event of its being recalled for cancellation by the registrar, shall be surrendered forthwith.

Security.

34. (1) The registration of any company, firm, or individual under this Ordinance shall not be deemed to authorize the promotion or formation of any cheetu until security in respect of that cheetu is deposited in accordance with the provisions of this section.

(2) Every such company, firm, or individual shall, in respect of each cheetu proposed to be formed by that company, firm, or individual give security for twice the cheetu amount of the proposed cheetu by hypothecating to the State—

[§6. 34 of 1957.]

(a) a cash deposit of twice the cheetu amount made with the registrar; or

(b) securities guaranteed by the Government of Sri Lanka or issued by the Government of Sri Lanka, deposited to the aforesaid value with the registrar.

[§6. 34 of 1957.]

Security to be a prerequisite to registration of agreement.

35. No agreement relating to any cheetu purporting to be formed by a company, or firm or an individual with a business name shall be registered until it is proved to the satisfaction of the registrar that security in respect of that cheetu has been given under section 34.

Financial limits to be observed.

36. (1) The total value of the cheetus conducted at any one time by any company, firm, or individual registered under this Ordinance shall not exceed twenty times the value of the paid-up capital of that company, firm, or individual.

(2) It shall be lawful for the registrar to refuse to register the agreement relating to any cheetu promoted by any company, firm, or individual, if he is satisfied that the formation of that cheetu will make the total value of the cheetus conducted at that time by that company, firm, or individual exceed the limit specified in subsection (1).

(3) For the purposes of this section, the "total value" of a cheetu means the aggregate of the cheetu amounts that are to

be collected and put up for sale during the period of that cheetu.

37. In the registration and the conduct of cheetus formed by a company, or firm or an individual with a business name, the duties imposed on the manager of a cheetu by the provisions of Parts III and IV, shall be performed—

Application of parts III and IV

(a) in the case of a company, by the officer by whatever name called, who is in executive control of the business of the company,

(b) in the case of a firm, by the managing partner or by any officer appointed by the partners to have the management and executive control of the business of the firm. and

(c) in the case of an individual, by him under the business name and style registered in that behalf.

38. In the case of a cheetu conducted by a registered company or firm, the sale of the cheetu amounts may, if the terms and conditions of the agreement provide therefor, be effected by way of sealed tenders as an alternative to an auction, if at a duly convened meeting of the subscribers held before the sale of the first cheetu amount a majority representing three-fourths of the cheetu amount resolves to adopt the method of sealed tenders; and the method adopted for the sale of the first cheetu amount shall be followed at each subsequent sale in connexion with that cheetu:

Sale by lender as an alternative to auction.

Provided however that in every case where the tenders of two or more subscribers are of the same value, the cheetu amount shall be put up for sale by auction among those subscribers, and the initial bid at every such auction shall be the amount set out in the tenders of those subscribers.

39. (I) No company, firm, or individual registered under section 31, shall be entitled to bid or to submit a tender or sha^bid or submit a tender either directly or indirectly, at any sale of a cheetu amount

Prohibition of bid or tender by promoters.

held by auction or by tender in connexion with any *cheetu* formed or conducted by that company, firm, or individual.

(2) Any company, firm, or individual registered under section 31, may, in lieu of substituting a new subscriber in the place of each defaulting subscriber, take up the share of one or more defaulting subscribers, and in every such case the company, firm, or individual shall be entitled to take, without an auction or other sale and without any discount, the successive *cheetu* amounts available after the last of the continuing subscribers has purchased his amount.

(3) Whenever a company takes up the share of a defaulting subscriber under subsection (2), a statement of the fact shall be delivered or transmitted to the registrar in like manner as in the case of the substitution of a new subscriber under section 20.

40. All matters in dispute between the subscribers to a *cheetu* and the company or firm or the individual with a business name, conducting that *cheetu* shall be settled by arbitration.

41. (1) In lieu of the provisions of subsection (1) of section 29 the provisions of this section shall apply to a *cheetu* conducted by a company or firm or an individual with a business name.

(2) A *cheetu* conducted by a company shall be deemed to terminate—

- (a) when the *cheetu* period specified in the agreement expires; or
- (b) on the failure of the company to conduct the *cheetu* in accordance with the provisions of the Ordinance, the regulations made thereunder, and the terms and conditions of the agreement as lawfully altered for the time being; or
- (c) when steps are taken for the winding up of the company whether voluntarily or by order of court; or
- (d) when the certificate of registration is cancelled by the registrar under section 32.

(3) A *cheetu* conducted by a firm shall be deemed to terminate—

- (a) when the *cheetu* period specified in the agreement expires; or
 - (b) on the failure of the firm to conduct the *cheetu* in accordance with the provisions of the Ordinance, the regulations made thereunder, and the terms and conditions of the agreement as lawfully altered for the time being; or
 - (c) when the partnership is unable to meet its liabilities or is dissolved; or
 - (d) when the certificate of registration is cancelled by the registrar under section 32.
- (4) A *cheetu* conducted by an individual with a business name shall be deemed to terminate—

- (a) when the *cheetu* period specified in the agreement expires; or
- (b) on the failure of the individual to conduct the *cheetu* in accordance with the provisions of the Ordinance, the regulations made thereunder, and the terms and conditions of the agreement as lawfully altered for the time being; or
- (c) when that individual becomes insolvent, or is incapacitated by unsoundness of mind, or dies; or
- (d) when the certificate of registration is cancelled by the registrar under section 32.

42. In every case of dishonesty, fraud, or gross mismanagement on the part of any company in the conduct of any *cheetu* under this Ordinance, the registrar shall take steps for the compulsory winding up of the company in accordance with the provisions of any written law in force in Sri Lanka in that behalf;

Compulsory winding up of company in case of dishonesty, fraud, or gross mismanagement. [§7,34 of 1957.]

Provided, however, that in the case of a company duly conducting six or more *cheetus* simultaneously, the termination of any one *cheetu*. through any act, omission, or

Disputes to be settled by arbitration.

Termination of a *cheetu* conducted by a company or firm or an individual with a business name.

default on the part of the company, shall not be deemed to be a ground for the compulsory winding up of the company.

PART VI

MISCELLANEOUS

Fees payable to the registrar.

43. (1) Fees at the rates set out in the Schedule shall be paid to the registrar for each of the following:—

- (a) the registration of the agreement and of alterations of the agreement;
- (b) the registration of copies of minutes and other statements for which registration is required under the Ordinance;
- (c) the search for any registered or other document on application made by any person;
- (d) the inspection by any person of any document registered or filed in the office of the registrar;
- (e) the issue of a certified copy or extract of any document registered or filed in the office of the registrar;
- (f) the registration under Part V of a company or firm or an individual with a business name ;
- (g) the certificate of registration issued under Part V, and certified copies thereof.

(2) The fee shall in every case be payable by means of one or more uncanceled stamps of the appropriate value affixed, as the case may be, to the document delivered or transmitted for registration or to the application presented.

Regulations.

44. (1) The Minister may make all such regulations as may be necessary for carrying into effect the principles and provisions of this Ordinance.

(2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister may make regulations for or in respect of all or any of the following matters, namely:—

- (a) for all matters stated or required in this Ordinance to be prescribed ;
- (b) for varying the fees payable to the registrar as set out in the Schedule ;
- (c) for prescribing the procedure to be adopted by the registrar in registering or filing any document in respect of which special provision is not made by this Ordinance;
- (d) for prescribing the accounts or books to be kept and the forms to be used by the manager of a *cheetu* in any case where express provision is not made by this Ordinance ; and for providing for the periodical inspection of such accounts or books by the registrar or by an officer authorized by the registrar ;
- (e) for prescribing the periods during which the several documents registered or filed in the office of the registrar shall be preserved, and the method of disposal of such documents at the end of those periods.

[§4, 34 of 1957.]

(3) No regulation made under this Ordinance shall have effect until it is approved by Parliament and notification of such approval is published in the Gazette.

45. (1) Every act in contravention of any of the provisions of this Ordinance, and every omission of any duty imposed by this Ordinance, shall be an offence punishable—

Offences and penalties.

- (a) in the case of a first offence, with a fine not exceeding one hundred rupees or with imprisonment of either kind for a period not exceeding one month;
- (b) in the case of a second offence with a fine not exceeding two hundred and fifty rupees, or with imprisonment of either kind for a period not exceeding three months ; and

(c) in the case of a third or any subsequent offence with a fine not exceeding one thousand rupees or imprisonment of either kind for a period not exceeding one year:

by the registrar in respect of any offence, no [§4,34-of criminal proceedings shall be commenced or 1957.] maintained against the offender.

PART VII

Provided, however; that any contravention of section 5 (1) or of section 30 may, notwithstanding that it is a first offence, be punishable in the discretion of the court with a fine not exceeding one thousand rupees or with imprisonment of either kind for a period not exceeding one year.

TRANSITORY PROVISIONS RELATING To "CHEETUS" ACTUALLY CONDUCTED AT THE DATE OF THE COMMENCEMENT OF THE ORDINANCE

(2) Where an offence under this Ordinance is committed by a company, every director of that company and the officer by whatever name called who has the executive control and management of the business of the company, shall severally be deemed to be guilty of the offence and be liable to the penalty specified in that behalf in subsection (1).

46. (1) Within one month after the date on which this Ordinance comes into operation, the manager of every *cheetu* of which the *cheetu* amount exceeds fifty rupees and which is actually being conducted at that date, shall furnish to the Registrar of Lands of the district in which the manager resides or has his place of business, a statement verified by affidavit and containing the terms and conditions of, and the following particulars relating to, that *cheetu*:—

Statement to be furnished by manager.

(3) Where an offence under this Ordinance is committed by a firm, every partner of that firm and the officer by whatever name called who has the executive control and management of the business of the firm, shall severally be deemed to be guilty of the offence and be liable to the penalty specified in that behalf in subsection (1).

(a) the name and address of the manager or of the company, firm, or individual with a business name, conducting the *cheetu*;

(b) the *cheetu* amount;

(c) the date of the formation of the *cheetu*.

(4) Where an offence under this Ordinance is committed by an individual with a business name, the individual shall personally be liable to the penalty specified in that behalf in subsection (1).

(d) the *cheetu* period;

(e) the names and addresses of the subscribers;

(5) Every offence under this Ordinance shall be summarily triable, and any penalty set out in subsection (1) may be imposed, by a Magistrate's Court, notwithstanding that such penalty exceeds the limits imposed on its jurisdiction by any other written law.

(f) the names of the several purchasers of the *cheetu* amounts already sold, and the amount of the respective prizes drawn by them;

(g) the manager's commission ;

(6) In respect of any offence under this Ordinance other than a contravention of section 5 (1) or section 30, the registrar may in his discretion accept from the offender in composition of the offence a penalty not exceeding the amount of the maximum fine prescribed in subsection (1) for that class of offences; and where a penalty is so accepted

(h) the amount distributed up to that date as dividends each month to each of the subscribers.

(2) The Registrar shall have the right to call for any additional information or explanation he may deem necessary as to any *cheetu* to which subsection (1) applies.

[§4,34 of 1957.]

Registration. (3) On receipt of a statement furnished under subsection (1) the Registrar shall enter the particulars set out herein in a register of existing *cheeius*, and shall forward to the registrar the statement and all other information relating to the *cheetu*.

[§4, 34 of 1957.]

Exemption from other provisions of the Ordinance, [§4, 34 of 1957.]

(4) The registrar may of his own motion or on application made by the manager of any *cheetu* registered under this section, exempt that *cheetu* by an order under his hand from the provisions of all or any of the other sections of this Ordinance, either unconditionally or subject to the condition that the manager shall give security for the proper conduct of the *cheetu* by the hypothecation in favour of the State of movable or immovable property approved by the registrar and not less in value than twice the *cheetu* amount of that *cheetu*; and the provisions of all other sections of this Ordinance shall cease to apply to any *cheeiu*

in respect of which an unconditional order is so made or the condition so imposed as to the security to be given is duly fulfilled.

(5) The failure to furnish a statement under subsection (1), or any additional information or explanation called for under subsection (2), in respect of any *cheeiu* to which this section applies or the conducting of any such *cheetu* without fulfilling the condition as to the security to be given where such condition has been imposed by the registrar, shall be an offence punishable with a fine not exceeding one thousand rupees or with imprisonment of either kind for a period not exceeding six months, or with both such fine and imprisonment, after summary trial by a Magistrate's Court notwithstanding that such penalty exceeds the limits imposed on its jurisdiction by any other written law.

Offences and penalties

[§4,34 of 1957.]

SCHEDULE

TABLE OF FEES UNDER SECTION 43 (I)

	Rs.	c.
(a) Registration of agreement-		
Where the <i>cheetu</i> amount does not exceed Rs. 500	5	0
Where the <i>cheetu</i> amount exceeds Rs. 500 but does not exceed Rs. 1,000	10	0
Where the <i>cheetu</i> amount exceeds Rs. 1,000 but does not exceed Rs. 5,000	20	0
Where the <i>cheetu</i> amount exceeds Rs. 5,000	25	0
(b) Registration of minutes of any meeting at which one or more alterations have been made in the agreement		Same rates as in item (a)
(c) Registration of minutes of a meeting at which no alteration has been made in the agreement	0	50
(d) Registration of statements and other matters not falling under (a) and (c) above, for which registration is required under the Ordinance	0	50
(e) Search for any registered or other document on application made by any person For every document	0	50
(f) Inspection by any person of any document registered or filed in the office of the registrar For every document	0	50
(g) Issue of a certified copy or extract of any document registered or filed in the office of the registrar For every 100 words	0	50
(h) Registration under Part V of a company, firm, or individual with a business name	50	0
(i) Certificate of registration issued under Part V or each certified copy thereof	0	50