



THE  
CEYLON GOVERNMENT  
GAZETTE

EXTRAORDINARY.

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*(Separate paging is given to each Part in order that it may be filed separately.)*

DRAFT ORDINANCES.

MINUTE.

The following Draft of a proposed Ordinance is published for general information :—

**An Ordinance to provide for the Registration and Control of Cheetus.**

BE it enacted by the Governor of Ceylon, with the advice and consent of the State Council thereof, as follows :—

CHAPTER I.

*Preliminary.*

1 This Ordinance may be cited as the Cheetu Ordinance, No. of 1935, and shall come into operation on such date as may be appointed by the Governor by proclamation in the Gazette. Short title and commencement.

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

“agreement” means the document which contains the terms and conditions agreed to and adopted by the subscribers and the manager of a cheetu ;

- “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 cheetu within the meaning of section 4 ;
- “cheetu amount” means the aggregate of the instalments payable on any specified day or in respect of any specified interval ;
- “discount” means that portion of the cheetu amount which the subscriber who purchases it agrees to forego ;
- “dividend” means the share of the discount payable to each subscriber ;
- “instalment” means the sum of money payable periodically in respect of the several specified intervals by each subscriber under the agreement ;
- “manager means” the person who promotes the cheetu 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 Lands for the district in which the cheetu is to be conducted ;
- “Registrar-General” includes any officer performing for the time being the duties of an Assistant Registrar-General ;
- “subscriber” means any person who has agreed to participate in a cheetu and has signed the agreement in token thereof.

## CHAPTER II.

### *Cheetus.*

Essential terms and conditions of a cheetu.

3 (1) No scheme or arrangement purporting to be a cheetu shall be deemed to be a cheetu for 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 :—

- (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 or for a specified number of intervals of a specified length ;
- (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 a specified date after each date on which the instalments are payable, the cheetu amount or pool consisting of the aggregate of those instalments 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 cheetu amount once and not oftener during the period of that cheetu, 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 cheetu 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 cheetu ;

- (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 sale ;
- (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 cheetu desires to participate therein as a subscriber, it shall also be obligatory to adopt, in addition to the terms and conditions set out in sub-section (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 cheetu, and that the final cheetu amount made up of the instalments payable at the end of the cheetu period is to be appropriated by him for his share without a sale and without any discount.

4 Every scheme or arrangement which, notwithstanding that it purports to be a cheetu, 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 cheetu.

Schemes which only partake of the nature of a cheetu.

*Explanation I.*—A scheme or arrangement under which the right to a prize is determined by the drawing of lots is not a cheetu but only partakes of the nature of a cheetu.

*Explanation II.*—A scheme or arrangement under which all the subscribers are to get prizes in turn with a liability to pay future contributions but the prizes themselves are of fixed amounts and not ascertainable by the deduction of the discount offered from the cheetu amount in each case, is not a cheetu but only partakes of the nature of a cheetu.

#### *Illustration.*

X starts a cheetu with 200 subscribers each of whom is to pay a monthly instalment of Rs. 10 for a period of 120 months. One prize is to be drawn every month up to the fortieth month, and thereafter two prizes every month until all the subscribers get their prizes. Out of the monthly cheetu amount of Rs. 2,000, a sum of Rs. 200 is to be set apart for discount and the prize-winner is to be paid a fixed sum of Rs. 1,000. The foreman is to be allowed the use of the balance of Rs. 200 each month until the money is required for the payment of any later prize. The scheme is not a cheetu but only partakes of the nature of a cheetu.

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 cheetu within the meaning of section 4.

Prohibition of schemes which only partake of the nature of a cheetu.

(2) No right or claim under any scheme or arrangement which only partakes of the nature of a cheetu within the meaning of section 4, shall be enforceable by action in any court or village tribunal in this Island.

6 (1) No person shall promote or conduct, or aid assist or take any part in the promotion or conduct of, any cheetu otherwise than in accordance with the provisions of this Ordinance.

Prohibition of cheetus 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 affect—

- (a) any cheetu in which the cheetu amount is less than fifty rupees, or
- (b) any cheetu exempted by the Registrar-General in such manner and in such circumstances as may be prescribed by regulation.

## CHAPTER III.

*Formation and Registration of Cheetus.*

Formation of  
cheetus.

7 (1) Subject to the provisions of Chapter 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 several intending subscribers on the other part.

Requisites of  
the agreement.

(2) Every such agreement shall be in such form as may be prescribed by regulation, and shall contain—

(a) All the essential terms and conditions set out in section 3 with the actual amounts dates and other particulars agreed upon between the parties in respect of each of those terms and conditions,

(b) the full names and addresses of the manager and 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, two copies of the agreement as aforesaid shall be signed by the manager and the several intending subscribers, either in person or by duly authorized agent, and attested by not less than two witnesses present at the time of such execution of the agreement.

Duty of manager to  
acknowledge  
subscribers' rights

8 (1) As soon as may be after the agreement is signed by each intending subscriber, the manager shall give him a written acknowledgment that that subscriber is entitled to participate in the cheetu.

and to forward  
agreement for  
registration.

(2) Within twenty-one days, exclusive of Sundays and public holidays, after the formation of a cheetu under section 7, the manager of the cheetu shall deliver or transmit the two copies of the agreement to the Registrar.

Duties of the  
Registrar.

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

(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) file one of the copies so endorsed in his office ; and

(d) return the other copy so endorsed to the manager.

Duty of manager  
to furnish copies  
of registered  
agreement to  
subscribers.

10 Within seven days of the receipt of the endorsed copy of the agreement from 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.

## CHAPTER IV.

*Conduct of Cheetus.*

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.

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 the subscribers or be posted to them at the respective addresses set out in the agreement.

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 :—

Minutes of meetings.

- (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 : Provided, however, that in lieu of this sub-section the provisions of sub-sections (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.

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

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 for each instalment paid by him.

Receipts for the instalments paid.

16 The manager shall be liable to the subscribers for all moneys due to them under the agreement.

Liability of manager

17 The manager shall, before the date fixed for the auction of the first cheetu amount collected, execute as security for the due discharge of his duties and liabilities under the agreement a bond in favour of or in trust for the subscribers, hypothecating either immovable property approved by the Registrar and sufficient for the realisation of not less than twice the cheetu amount specified in the agreement, or movable property, not less in value than twice the cheetu amount, deposited in such manner as may be specified in the agreement or prescribed by regulation.

Security to be given by manager.

18 Every subscriber who is declared the purchaser of a cheetu amount, shall, as a condition precedent to the payment of the prize amount by the manager, give security to the manager by the hypothecation of immovable property, or the deposit of movable property, of a value sufficient for the realisation of twice the aggregate of the instalments payable by that subscriber under the agreement for the remainder of the cheetu period.

Security to be given by purchaser of cheetu amounts.

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 prescribed by regulation.

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

(2) Any prize amount deposited under sub-section (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.

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 any earlier instalments paid by him, at such time 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 sub-section (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 the 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 three-fourths of the cheetu amount consent to such reduction and to the necessary alteration of the agreement, the manager shall take the steps required by section 13 for the registration of the alteration.

(3) Upon the registration of the alterations made for the purposes of a voluntary 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 refund to the manager a sum which bears to the difference between the original cheetu amount and the reduced cheetu amount the proportion borne by the prize amount actually drawn by him to the original cheetu amount, and all sums so refunded shall be added to the amounts available for distribution as dividends to the subscribers.

Recovery of all future instalments from defaulting subscriber who has purchased a cheetu amount.

**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.

Transfer of subscriber's rights.

**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.

(2) Notice of every transfer made under sub-section (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 sub-section (1) the manager shall make the appropriate entries in the register of members 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 section 9 and 10 as to registration and service of copies on the subscribers shall apply to every copy delivered or transmitted under this sub-section.

(4) Where the transfer of the rights of any subscriber under sub-section (1), is proved at any time during the cheetu 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 Ceylon, 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.

24. Any transfer made by the manager of his right to recover the instalments payable by subscribers who have purchased cheetu 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.

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

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 :—

Books to be kept by manager.

(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 cheetu 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 (1) 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 cheetu 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 cheetu, 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 cheetu.

27 Where the terms and conditions of the agreement permit the manager to participate in the cheetu 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 collected under the agreement without an auction and without any discount.

Manager's liability and right as participant in cheetu.

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, shall, 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.

Continuance of cheetu on manager's death or incapacity.

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 two thousand five hundred rupees, the next of kin who have adiated the inheritance.

Termination of cheetu.

**29** A cheetu shall be deemed to terminate upon the occurrence of any of the following events :—

- (a) when the cheetu period specified in the agreement expires ;
- (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 cheetu or to make suitable arrangements for its continuance as required by section 27.

#### CHAPTER 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 cheetu unless that company or firm or such individual is duly registered and has deposited security in accordance with the provisions of this Chapter.

Registration.

**31** (1) Where any company, or firm, or any individual with a business name, desires to conduct cheetus in more than one revenue district, the registration required by this Ordinance shall be effected in each of those districts, whether or not that company firm or individual has an office or branch office in any of those districts.

(2) Where the cheetus are to be conducted by any such company firm or individual in one revenue district alone, the registration shall be effected in the office of the registrar of lands of that district.

(3) Every application for registration shall be in the prescribed form and shall be presented to the Registrar of Lands of the district or each of the districts in which the cheetus are to be conducted.

(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 this Island,
- (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 the Island,
- (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 sub-section (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 Cheetu Promoters, and shall issue to the applicant a certificate of registration in such form as may be prescribed by regulation.

Cancellation of registration.

**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.

**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 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.

Certificate of registration.

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

Security.

(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 Crown—

- (a) a cash deposit of twice the cheetu amount made either in the nearest Kachcheri or to the credit of the Financial Secretary in a bank approved for that purpose by regulation, or
- (b) securities of the Government of Ceylon or of India or of the United Kingdom, deposited to the aforesaid value either in the nearest Kachcheri or with the Financial Secretary.

**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.

Security to be a prerequisite to registration of agreement.

**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 ten times the value of the paid-up capital of that company firm or individual.

Financial limits to be observed.

(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 sub-section (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 Chapters III and IV, shall be performed—

Application of Chapters 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 connection with that cheetu.

Sale by tender as an alternative to auction.

**39** (1) No company firm or individual registered under section 31, shall be entitled to bid or to submit a tender or shall bid or submit a tender either directly or indirectly, at any sale of a cheetu amount held by auction or by tender in connection with any cheetu formed or conducted by that company firm or individual.

Prohibition of bid or tender by promoters.

(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 sub-section (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 member under section 20.

Disputes to be settled by arbitration.

**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.

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

**41** (1) In lieu of the provisions 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 become 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.

Misconduct of companies to be reported to registrar of joint stock companies.

**42** It shall be the duty of the Registrar to report to the registrar of joint stock companies every case of dishonesty fraud or gross mismanagement on the part of any company in the conduct of a cheetu under this Ordinance, and on receipt of such report the registrar of joint stock companies shall take steps for the compulsory winding-up of the company in accordance with the provisions of any written law in force in the Island in that behalf :

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

## CHAPTER VI.

*Miscellaneous.*

43 (1) Fees at such rates as may from time to time be prescribed by regulation shall be paid to the Registrar for each of the following :—

Fees payable  
to the Registrar.

- (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 Chapter V of a company or firm or an individual with a business name ;
- (g) the certificate of registration issued under Chapter V, and certified copies thereof.

(2) The prescribed 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.

44 (1) The Executive Committee of Labour, Industry and Commerce may make all such regulations as may be necessary for carrying into effect the principles and provisions of this Ordinance.

Regulations.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1), the Executive Committee 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 prescribing the fees payable to the Registrar under section 43 ;
- (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 ;
- (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 ;
- (f) for specifying the banks in which cheetu amounts may be deposited by the manager of a cheetu under section 19.

(3) No regulation made under this Ordinance shall have effect until it is approved by the State Council and ratified by the Governor and notification of such approval and ratification 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 :

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.

(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 sub-section (1).

(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 sub-section (1).

(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 sub-section (1).

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

#### *Objects and Reasons.*

The object of this Bill is to make provision for the registration and supervision of auction cheetus, in order to safeguard the interests of that section of the public among whom they are fast becoming a popular institution. As auction cheetus have been introduced into Ceylon from South India and are conducted mainly by Indians, expressions like "cheetu" "cheetu amount" and "prize amount" to which they are accustomed have been purposely adopted, and the essential terms and conditions which are laid down as the basis on which cheetus can lawfully be formed in Ceylon, are also based on the system which is actually worked in India to-day.

Cheetus which do not conform to the requirements laid down in Clause 3 and are not conducted in accordance with the proposed provisions are to be prohibited, and no rights or claims under them are to be enforceable in any court or village tribunal in the Island.

Even the auction cheetus which are to be permitted will be recognised in law and rights under them enforced in the courts, only if they are formed and conducted in accordance with the various requirements of the proposed law, the two exceptions to this rule being those cheetus which were formed before the date on which the Bill becomes law and those in which the "cheetu amount" does not exceed fifty rupees.

The principal feature of the system of control that is now proposed is the requirement that every cheetu should be formed by a written agreement, that this agreement should be registered in the land registry of the district in which the cheetu is to be conducted, and that all variations of the agreement in matters that do not affect the legal basis of the cheetu should be made at duly convened meetings of the subscribers and registered in like manner. The registrar is given the power to refuse to register any cheetu which is not formed in conformity with the law, and the various minutes and statements to be furnished to him will afford him the opportunity to supervise the working of the cheetus generally.

The duties and liabilities of the manager, and the rights and liabilities of the subscribers are set out in detail, and it is made obligatory on the manager to keep proper accounts of all receipts and payments in connection with each cheetu. Copies of the agreement and of the more important variations made in it will have to be served on each subscriber, and as facilities for inspecting other documents at the registry are also to be provided, the members of the public who become subscribers to cheetus will be adequately protected.

With regard to the formation and conduct of cheetus by companies or firms or individuals trading under business names, the special provisions set out in Chapter V are also to apply. Before they form any cheetu it will be necessary for them to register themselves and to give adequate security in respect of each cheetu they propose to form. They will be registered only if they have a minimum capital of ten thousand rupees and satisfy the registrar that they are not carrying on the business of banking or insurance or any kind of trade; and they are liable to be removed from the register if they cease to be so qualified. In the case of companies there is also the additional safeguard that they will be reported by the registrar

to the registrar of companies if they are found to be guilty of fraud or gross mismanagement, and that they will be liable to be wound up compulsorily on that ground. The security to be given in respect of every cheetu formed by companies firms or registered individuals is to be equal in value to twice the cheetu amount, and they will not be permitted to conduct cheetus in excess of a sum which bears a reasonable proportion to their capital. The public in dealing with such companies firms or individuals will thus be well protected; and the penalties proposed in Clause 45 for any act or omission in contravention of the law are severe enough to act as a deterrent on mere speculators.

PERI SUNDARAM,

Minister for Labour Industry and Commerce.

Colombo, October 7, 1935.