



THE STATUTES OF THE REPUBLIC OF SINGAPORE

CHIT FUNDS ACT

(CHAPTER 39)

(Original Enactment: Act 28 of 1971)

REVISED EDITION 2013

(31st October 2013)

Prepared and Published by

THE LAW REVISION COMMISSION
UNDER THE AUTHORITY OF
THE REVISED EDITION OF THE LAWS ACT (CHAPTER 275)

Informal Consolidation – version in force from 31/10/2013

Chit Funds Act

ARRANGEMENT OF SECTIONS

PART I

PRELIMINARY

Section

1. Short title
2. Interpretation

PART II

MONETARY AUTHORITY OF SINGAPORE TO ADMINISTER ACT

3. Administration of this Act

PART III

LICENSING OF CHIT FUND COMPANIES

4. Licensing of chit funds
5. Use of words “chit” and “chit fund”
6. Examination of persons suspected of transacting chit fund business
7. Application for licence
8. Licence fees
9. Minimum capital requirements
10. Restriction of opening of branches of chit fund companies
11. Fees to be paid in respect of branches of chit fund companies
12. Limitation on mergers, etc., of chit fund company
13. Amendment of constitution of chit fund company
14. Revocation of licence
15. Effect of revocation of licence
16. Exhibition of licence
17. Publication of list of companies

PART IV

CHIT FUNDS — GENERAL PROVISIONS

18. Prohibition of chit funds conducted in contravention of this Act

Section

19. When scheme or arrangement deemed to be chit fund
20. Scheme or arrangement which is deemed only to partake of nature of chit fund prohibited
21. Security
22. Receipt of contributions

Formation and essential terms and conditions

23. Formation of chit funds
24. Essential terms and conditions of chit fund
25. Duty of chit fund company to acknowledge subscriber's rights

Conduct of a chit fund

26. Meetings of subscribers
27. Minutes of meeting
28. Alteration of agreement
29. Receipts for contributions paid and entry of payments in pass-book
30. Production of guarantors by purchaser of chit fund amount
31. Effect of failing to produce guarantors
32. Substitution of new subscriber for defaulting subscriber who has not purchased any chit fund amount
33. Voluntary reduction of membership in lieu of substitution of new subscriber
34. Liability of defaulting subscriber who has already purchased chit fund amount
35. Transfer of subscriber's rights
36. Transfer of right of chit fund company to recover contributions to be voidable
37. Books to be kept by chit fund company
38. Liability of chit fund company to subscribers
39. Prohibition of bid or tender by chit fund company
40. Termination of chit fund
41. Sale by sealed tender as alternative to auction
42. Financial limits to be observed by chit funds
43. Limits on lending powers of chit fund company

PART V**RESERVE FUND, DIVIDENDS, BALANCE-SHEET, INFORMATION AND
REGULATION OF BUSINESS**

Section

44. Maintenance of reserve funds
45. Bad and doubtful debts
46. Restriction on payment of dividends by chit fund companies
47. Exhibition of audited balance-sheet
48. Information and statistics to be furnished by chit fund companies

PART VI**INSPECTION OF CHIT FUND COMPANIES**

49. Inspection and investigation of chit fund companies and production of books, etc.
50. Powers of Authority to issue orders after inspection

PART VII**MISCELLANEOUS PROVISIONS**

51. Recovery of fees, expenses, etc.
52. Exemption
53. Winding up provisions
54. Redemption of securities held by chit fund company
55. Operation of this Act not to affect certain Acts
56. General penalty
57. Offences triable in District Court
58. Consent of Public Prosecutor
59. Offences by directors, managing directors or managers
60. Holding out as chit fund company
61. Regulations

An Act to provide for the licensing and regulation of chit funds.

[14th January 1972]

PART I
PRELIMINARY

Short title

1. This Act may be cited as the Chit Funds Act.

Interpretation

2. In this Act, unless the context otherwise requires —

“agreement” means the document which contains the terms and conditions agreed to and adopted by the subscribers and the chit fund company;

“Authority” means the Monetary Authority of Singapore established under section 3 of the Monetary Authority of Singapore Act (Cap. 186);

“chit fund” means a scheme or an arrangement based wholly on the terms and conditions set out in section 24 or the regulations made thereunder or any scheme or arrangement that is deemed to be a chit fund under section 19 but does not include any scheme or arrangement which only partakes of the nature of a chit fund within the meaning of section 20;

“chit fund amount” means the pool or the aggregate of the contributions payable on any specified day or in respect of any specified interval;

“chit fund business” means the business of carrying on chit funds;

“chit fund company” means a company which carries on chit fund business and holds a valid licence granted under section 7. All branches and offices in Singapore of the company shall be deemed to be one chit fund company for the purposes of this Act;

“contribution” means the sum of money payable periodically by each subscriber under the agreement;

“essential terms and conditions” means the terms and conditions specified in section 24;

“interest” means that amount of money which the subscriber agrees to forego in order to purchase the chit fund amount;

“prize” or “prize amount” means the difference between the chit fund amount and the interest;

“public company” means a company limited by shares incorporated in Singapore other than a private company;

“rebate” means the share of the interest payable to each subscriber;

“subscriber” includes any person who has agreed to participate in a chit fund or has signed the agreement in token thereof.

PART II

MONETARY AUTHORITY OF SINGAPORE TO ADMINISTER ACT

Administration of this Act

3.—(1) The Monetary Authority of Singapore shall be charged with the general administration of this Act and the exercise of the functions imposed upon it by this Act.

(2) The Authority may authorise or appoint any person to assist the Authority in the exercise of its functions and duties under this Act, either generally or in any particular way.

(3) Any person authorised or appointed by the Authority pursuant to subsection (2) shall be deemed to be a public servant within the meaning of the Penal Code (Cap. 224).

PART III

LICENSING OF CHIT FUND COMPANIES

Licensing of chit funds

4.—(1) No chit fund business shall be transacted in Singapore except by a public company which is in possession of a valid licence granted under this Act by the Authority with the approval of the

Minister authorising it to conduct chit fund business in accordance with the provisions of this Act.

(2) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine of \$1,000 for every day during which the offence continues after conviction.

Use of words “chit” and “chit fund”

5.—(1) No person or body of persons, whether incorporated or not, other than a chit fund company licensed under this Act shall, without the written consent of the Authority, use the word “chit” or the words “chit fund” or any of its or their derivatives in any language, or any other word indicating that it transacts chit fund business, in the name, description or title under which that person or body of persons is transacting business in Singapore, or make or continue to make any representation to that effect in any bill head, letter paper, notice, advertisement or in any other manner whatsoever.

(2) For the purposes of subsection (1), the words “HWEI”, “KUTU” and “TONTINE” or any other word in any other language having the same meaning or being to the like intent shall be deemed to be derivatives of the word “chit”.

(3) Nothing in this section shall prohibit an association of chit fund companies formed for the protection of common interests from using the word “chit” or the words “chit fund” or any of its or their derivatives in any language as a part of its name or description of its activities.

(4) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$1,000 or to imprisonment for a term not exceeding one year or to both and, in the case of a continuing offence, to a further fine not exceeding \$100 for every day during which the offence continues after conviction.

Examination of persons suspected of transacting chit fund business

6. Whenever the Authority has reason to believe that a person is transacting chit fund business without a licence, it shall have the power to examine the books, accounts and records of the person in order to ascertain whether or not the person has violated or is violating any provisions of this Act, and any refusal to submit those books, accounts and records shall be prima facie evidence of the fact of operation without a licence.

Application for licence

7.—(1) A public company which desires authority to carry on chit fund business in Singapore shall apply in writing to the Authority for a licence under this section and shall supply —

- (a) a copy of the memorandum of association and articles of association or other instrument under which the company is incorporated, duly verified by a statutory declaration made by a senior officer of the company;
- (b) a copy of the latest balance-sheet of the company; and
- (c) such other information as may be called for by the Authority.

(2) In considering any application by a public company for a licence, the Authority may require to be satisfied as to —

- (a) the financial character of the company;
- (b) the character of the management of the company;
- (c) the adequacy of the capital structure of the company and earning prospects of the company;
- (d) the objects of the company as disclosed in its memorandum of association;
- (e) the convenience and needs of the community to be served; and
- (f) whether the public interest will be served by the granting of a licence.

(3) The Authority may, with the approval of the Minister, grant a licence, with or without conditions, or refuse to grant a licence.

(4) The Authority may at any time vary or revoke any existing conditions of a licence or impose conditions or additional conditions thereto.

(5) Where a licence is subject to conditions, the chit fund company shall comply with those conditions.

(6) Any chit fund company which fails to comply with any of the conditions of its licence shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 and, in the case of a continuing offence, to a further fine of \$1,000 for every day during which the offence continues after conviction.

Licence fees

8.—(1) Every chit fund company in Singapore shall pay such annual licence fee as the Authority may by notification in the *Gazette* prescribe.

(2) The Authority may prescribe different licence fees in respect of different classes or categories of chit fund companies and those fees shall apply uniformly to those classes or categories.

(3) The manner of payment of the licence fee shall be as specified by the Authority.

Minimum capital requirements

9.—(1) Subject to the provisions of this Act, no chit fund company shall be granted or shall hold a licence unless its capital, issued and paid up in cash, and unimpaired by losses or otherwise, is not less than \$200,000.

(2) The Authority may require such percentage of the issued and paid-up capital as may be prescribed in regulations made under this Act to be deposited in such manner as may be prescribed.

(3) No chit fund company incorporated in Singapore shall reduce its paid-up capital during the currency of its licence without the approval of the Authority.

Restriction of opening of branches of chit fund companies

10.—(1) No chit fund company shall open a new place of business or change the location of an existing place of business in Singapore without submitting a written application in respect thereof to the Authority.

(2) Upon receipt of an application under subsection (1), the Authority may —

(a) give its approval; or

(b) without assigning any reason, refuse to give its approval,

and its decision shall be final.

(3) No chit fund company incorporated in Singapore shall open a new branch, agency or office in any place outside Singapore.

(4) Any chit fund company which contravenes subsection (1) or (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$500 and, in the case of a continuing offence, to a further fine of \$100 for every day during which the offence continues after conviction.

Fees to be paid in respect of branches of chit fund companies

11.—(1) The Authority may from time to time by notification in the *Gazette* specify the annual licence fees which chit fund companies in Singapore shall pay for each of their branches.

(2) The manner of payment shall be as specified by the Authority.

Limitation on mergers, etc., of chit fund company

12.—(1) No chit fund company incorporated in Singapore shall be merged or consolidated with or be taken over by another company or companies or their subsidiaries or related companies as described in section 6 of the Companies Act (Cap. 50) (whether that company is or those companies are incorporated in Singapore or outside Singapore) nor shall any such company or companies acquire an interest exceeding 20% of the voting share capital of a chit fund company without application to, and approval by, the Authority.

(2) In considering such an application, the Authority shall have power to call for such information as it may require.

(3) The Authority may —

- (a) approve the application; or
- (b) refuse the application.

(4) Any chit fund company whose application has been refused by the Authority may within one month of being notified of the refusal by the Authority appeal against its refusal to the Minister whose decision shall be final.

Amendment of constitution of chit fund company

13.—(1) Every chit fund company in Singapore shall, prior to the making of any amendment or alteration in its memorandum of association or articles of association, or other instrument under which it is incorporated, furnish to the Authority for its approval particulars in writing (verified by a statutory declaration made by a senior officer of the chit fund company) of the proposed amendment or alteration.

(2) The Authority may thereupon —

- (a) approve the proposed alteration without modification;
- (b) approve the proposed alteration with modification; or
- (c) refuse to approve the proposed alteration.

(3) If the Authority approves the proposed alteration with modification, the chit fund company shall adopt the proposed alteration as so modified or not proceed with the proposed alteration, and if the Authority refuses to approve the proposed alteration, it may request the chit fund company to withdraw the proposed alteration and the chit fund company shall comply with the Authority's request.

(4) Any chit fund company which fails to comply with the requirements of subsection (1) or with any request by the Authority made under subsection (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$300 for every day during which the default continues after conviction.

Revocation of licence

14.—(1) The Authority may by order revoke a licence issued under this Act —

(a) if it is satisfied that the chit fund company holding that licence —

- (i) has ceased to transact chit fund business in Singapore or is carrying on any other business other than chit fund business;
- (ii) proposes to make, or has made, any composition or arrangement with its creditors or has gone into liquidation or has been wound up, whether voluntary or involuntary, or otherwise dissolved;
- (iii) is carrying on its business in a manner likely to be detrimental to the interests of the subscribers of its chit funds or has insufficient assets to cover its liabilities to its subscribers or the public;
- (iv) is contravening the provisions of this Act or the regulations made thereunder; or
- (v) has been convicted of any offence under this Act or the regulations made thereunder or if any of its officers holding a managerial or executive position has been convicted of any offence under this Act or the regulations made thereunder; or

(b) if it considers it in the public interest to do so.

(2) The Authority shall, before revoking any licence under subsection (1), give the chit fund company concerned notice in writing of its intention to do so, specifying a date, not less than 21 days after the date of the notice, upon which the revocation shall take effect and calling upon the chit fund company to show cause to the Authority why the licence should not be revoked.

(3) When the Authority has revoked a licence under subsection (1), it shall forthwith inform the chit fund company by notice in writing of the revocation.

(4) The chit fund company may, within 14 days of the receipt of the notice referred to in subsection (3), or such extended period of time as the Minister may allow, appeal in writing against the revocation to the Minister whose decision shall be final.

Effect of revocation of licence

15.—(1) Where an order of revocation becomes effective under section 14 —

- (a) notice of the revocation shall be published in the *Gazette*; and
- (b) the chit fund company shall, as from the date of the notice, cease to transact any chit fund business in Singapore except as may be approved by the Authority for the purpose of winding up its chit fund business.

(2) Subsection (1)(b) shall not prejudice the enforcement by any person of any right or claim against the chit fund company or by the chit fund company of any right or claim against any person.

Exhibition of licence

16. Any licence issued under section 7(3), or a certified copy thereof, shall, so long as it remains valid, be exhibited in a conspicuous position at the principal place of business of the chit fund company and in the event of its revocation under section 14, the licence and all certified copies thereof shall be surrendered forthwith to the Authority.

Publication of list of companies

17. The Authority shall cause to be published in the *Gazette* in the month of April in each year a list of all chit fund companies to which licences have been issued under this Act.

PART IV**CHIT FUNDS — GENERAL PROVISIONS****Prohibition of chit funds conducted in contravention of this Act**

18. Any person who promotes or conducts, or aids, assists, or takes any part in the promotion or conduct of any chit fund otherwise than in accordance with the provisions of this Act shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 3 years or to both.

When scheme or arrangement deemed to be chit fund

19. Any scheme or arrangement which is based wholly on the essential terms and conditions set out in section 24 or has all the attributes and incidents of a chit fund within the scope and intent of that section shall, notwithstanding that it is called by any other name, be deemed to be a chit fund for the purposes of this Act.

Scheme or arrangement which is deemed only to partake of nature of chit fund prohibited

20.—(1) Every scheme or arrangement by whatever name called which is not based wholly on the essential terms and conditions set out in section 24 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 Act, be deemed only to partake of the nature of a chit fund.

(2) Regulations made under this Act may describe or define what schemes or arrangements shall be deemed only to partake of the nature of a chit fund for the purposes of this section.

(3) Any person who promotes or conducts, or aids, assists, or takes any part in the promotion or conduct of any scheme or arrangement which only partakes of the nature of a chit fund within the meaning of this Act shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 3 years or to both.

(4) No right or claim under any scheme or arrangement which only partakes of the nature of a chit fund within the meaning of this Act or

the regulations made thereunder shall, without prejudice to subsection (1), be enforceable by action in any court.

Security

21. The licensing of any company under this Act shall not be regarded as authorising the promotion or formation of any chit fund or the acceptance by that company of any instalment or interest from any subscriber until such security as is provided in the regulations made under this Act in respect of that chit fund has been deposited by the chit fund company in accordance with those regulations.

Receipt of contributions

22. A chit fund company may receive contributions due from intending subscribers at the time of the signing of the agreement pursuant to section 24(3) but if within 14 days after the expiration of one month of the signing of the agreement the chit fund does not commence, the contributions received shall be returned to the subscribers.

Formation and essential terms and conditions

Formation of chit funds

23. Every chit fund shall be formed by the execution of a written agreement between the chit fund company on the one part and the intending subscribers severally on the other part.

Essential terms and conditions of chit fund

24.—(1) Every agreement made under section 23 shall contain all the following terms and conditions with the actual amounts, dates and other particulars necessary in each case:

- (a) that the chit fund shall be for a specific amount and for a specified number of subscribers only;
- (b) that the subscribers shall contribute equal portions of the amount;

- (c) that the contribution of each subscriber shall be paid to the chit fund company in money in equal amounts of a specified value during a specified period;
- (d) that each contribution shall 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 contributions are payable, the chit fund amount shall be put up for sale by the chit fund company among the subscribers either by auction or by way of sealed tenders;
- (f) that each of the subscribers shall be entitled to purchase the chit fund amount once and not more often during the period of that chit fund, 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 shall indicate the sum which he is willing to forego as interest 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 interest shall be declared the purchaser;
- (i) that the purchaser shall be entitled to receive the prize consisting of the chit fund amount less the interest offered by him, on producing guarantors to stand surety for the due payment of his future contributions in respect of that chit fund;
- (j) that the chit fund company shall deduct for commission and working expenses a specified sum or a sum bearing a specified proportion to the prize amount or to the chit fund amount;
- (k) that the interest shall be distributed in equal proportion among all the subscribers;
- (l) that a subscriber, who has not yet purchased a chit fund amount and who defaults in either the payment of a

contribution or the production of guarantors shall be entitled to a refund of actual contributions already paid by him in accordance with section 31(2) or 32(1), as the case may be.

- (2) The agreement mentioned in subsection (1) shall also contain —
- (a) the full name and address of the chit fund company and of each of the subscribers;
 - (b) the business address of the chit fund company or the exact location of the place where the records of the chit fund are to be kept and where its business is to be transacted;
 - (c) the number of the subscriber's identity card issued by the Government or in the case of a subscriber who has not been issued with a Singapore identity card such other record of identification as may be prescribed; and
 - (d) such other terms and conditions not inconsistent with this Act, or with the essential terms and conditions referred to in subsection (1), as are considered necessary for the better management and control of the chit fund.
- (3) In respect of every chit fund, the agreement shall be signed in original and duplicate by the chit fund company and each intending subscriber, either in person or by a duly authorised agent, and each signature shall be attested by a witness present at the time of signing.

Duty of chit fund company to acknowledge subscriber's rights

25. As soon as possible after the agreement has been signed by each intending subscriber, the chit fund company shall give the subscriber a written acknowledgment that he is entitled to participate in the chit fund.

Conduct of a chit fund

Meetings of subscribers

26.—(1) Where the provisions of this Act 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 chit fund company shall convene a meeting for the purpose within 7 days of its becoming aware of the event requiring a meeting and shall serve

written notice on each of the subscribers not less than 5 days before the date selected by the chit fund company for the meeting.

(2) Every such notice shall state the time, date 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 chit fund company.

Minutes of meeting

27. The chit fund company shall enter in a book to be kept for that purpose the minutes of the proceedings of every meeting of the subscribers. 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 chit fund amount is auctioned, the following additional particulars:

- (i) the serial number of the auction;
- (ii) the name of each bidder and the amount of each bid;
- (iii) the name of the purchaser;
- (iv) the amount of the interest.

Alteration of agreement

28. Subject to the provisions of this Act 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 agreement, shall be made only at any meeting of the subscribers, duly convened for the

purpose, by the votes of a majority, the aggregate of whose contributions is not less than three-quarters of the chit fund amount.

Receipts for contributions paid and entry of payments in pass-book

29.—(1) Every subscriber shall receive a receipt issued by or on behalf of the chit fund company for each contribution paid by him.

(2) Every subscriber shall be issued with a pass-book into which each payment made by him shall be entered by the chit fund company.

Production of guarantors by purchaser of chit fund amount

30. Every subscriber who is declared the purchaser of a chit fund amount shall, as a condition precedent to the payment of the prize amount to him by the chit fund company, produce at least 2 guarantors to stand surety for the payment of the contributions due from him for the remainder of the chit fund period.

Effect of failing to produce guarantors

31.—(1) If a subscriber purchasing the chit fund amount fails to produce the guarantors required under section 30 within 2 weeks of the auction, the chit fund company shall either —

- (a) within 7 days of the expiration of those 2 weeks, declare the next highest bidder, who has not purchased the chit fund amount, to be purchaser of the chit fund amount according to his bid on his producing the guarantors as required under section 30; or
- (b) within 2 weeks after the expiration of those 2 weeks, conduct a fresh sale of that chit fund amount and give not less than 7 days' notice of the date to each of the subscribers then entitled to bid at the sale.

(2) Where a subscriber is unable to produce the guarantors as required under section 30, the subscriber shall have the right to a refund of the actual amount of the earlier contributions paid by him to the chit fund company, without any deduction whatsoever. The refund shall be paid by the chit fund company within 3 weeks from the date of the auction.

(3) In the event of a refund to a subscriber under subsection (2) by a chit fund company, the chit fund company shall be entitled to remove the name of that subscriber from the register of subscribers kept under section 37 and to substitute therefor the name of the new subscriber.

Substitution of new subscriber for defaulting subscriber who has not purchased any chit fund amount

32.—(1) Where default in the payment of any contribution is made by any subscriber who has not purchased a chit fund amount, the chit fund company shall be entitled to remove the name of the defaulting subscriber from the register of subscribers kept under section 37 and to substitute therein the name of a new subscriber except that the removal of his 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 contributions paid by him, at such time and with such deductions by way of penalty as may be prescribed by regulations made under this Act.

(2) 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.

(3) No collateral undertaking, as to mutual rights and obligations entered into by the chit fund company 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

33.—(1) In any case referred to in section 32, the chit fund company 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 chit fund 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 chit fund amount consent to such reduction and to the necessary alteration of the agreement, the chit fund company shall record that fact in the minute book kept under section 27.

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

Liability of defaulting subscriber who has already purchased chit fund amount

34.—(1) Where default in the payment of any contribution is made by a subscriber who has already purchased a chit fund amount, that subscriber and his guarantors shall be liable to make immediate payment to the chit fund company of the aggregate of all the contributions payable by him to the end of the chit fund period.

(2) Upon receiving the contributions pursuant to subsection (1), the chit fund company shall immediately deposit those contributions in any bank that is approved by the Authority.

(3) Any money received under subsection (1) exceeding the amount required to cover the contribution of the defaulting subscriber shall be returned forthwith by the chit fund company to the defaulting subscriber or his guarantors, as the case may be.

(4) A chit fund company may charge interest on any money due under subsection (1) at the rate and by the method prescribed in the regulations made under this Act.

Transfer of subscriber's rights

35.—(1) Any subscriber who has not purchased a chit fund amount may make over his rights in the chit fund by a transfer in writing to any person approved by the chit fund company.

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

(3) On receipt of the notice of any transfer made under subsection (1), the chit fund company shall make the appropriate entries in the register of subscribers kept under section 37.

(4) Where the transfer of the rights of any subscriber under subsection (1) is proved 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 written law in force in Singapore, 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 in any other written law to the contrary, the stamp duty payable on any transfer under this section shall be in accordance with the provisions of the Stamp Duties Act (Cap. 312).

Transfer of right of chit fund company to recover contributions to be voidable

36. Any transfer made by the chit fund company of its right to recover the contributions payable by subscribers, who have purchased chit fund amounts, shall not defeat or delay the rights of any subscriber who has not purchased a chit fund amount and shall be voidable at the instance of the subscriber if the 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 chit fund company

37. The chit fund company shall keep and from day to day regularly post up the following books:

- (a) a register of subscribers containing —
 - (i) the names and 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;

- (ii) in the case of any transfer of rights by a subscriber, the name and address of the person to whom the rights are transferred with the date of the transfer and the date on which notice thereof is given to the chit fund company; and
 - (iii) the name and address of any person substituted in place of a defaulting subscriber, with the date on which he is so substituted;
- (b) the minute book required under section 27;
- (c) an account book containing separate accounts of —
- (i) the contributions paid by each subscriber and the respective dates of those payments;
 - (ii) the prize amounts paid to purchasers of the chit fund amount and the respective dates of those payments;
 - (iii) the amount of the commission or remuneration received by the chit fund company and the registration fees paid by it; and
 - (iv) the amount of the rebate paid to each subscriber on each occasion and the date of the payment.

Liability of chit fund company to subscribers

38.—(1) The chit fund company shall be liable to each subscriber for any amount due to that subscriber in respect of the chit fund.

(2) The chit fund company shall not be entitled to withdraw from the management of the chit fund without the written consent of all the subscribers.

(3) Where the chit fund company is in liquidation or is being wound up, whether voluntarily or otherwise, any debt owing by the company to any subscriber under the terms and conditions of the agreement relating to the chit fund shall, notwithstanding anything in any other written law to the contrary, be a first charge upon any property acquired or held by it for the purposes of that chit fund, including

property held by the Authority as security pursuant to the regulations made under this Act.

Prohibition of bid or tender by chit fund company

39.—(1) No chit fund company licensed under section 7 shall be entitled to bid or submit a tender or shall bid or submit a tender either directly or indirectly at any sale of a chit fund amount held by auction or by tenders in connection with any chit fund formed or conducted by that company.

(2) Any chit fund company licensed under section 7 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 chit fund company shall be entitled to take, without an auction or other sale and without any interest, the successive chit fund amounts available after the last of the continuing eligible subscribers has purchased his prize amount.

Termination of chit fund

40.—(1) A chit fund shall be deemed to terminate upon the occurrence of any of the following events:

- (a) on the expiry of the chit fund period as specified in the agreement or where it is curtailed by reason of any voluntary reduction of membership duly effected under section 33;
- (b) on the failure of the chit fund company to conduct the chit fund in accordance with the provisions of this Act, the regulations made thereunder or the terms and conditions of the agreement;
- (c) on the chit fund company going into liquidation or being wound up, whether voluntarily or involuntarily or otherwise being dissolved;
- (d) on steps being taken for the winding up of the company either voluntarily or by order of the Authority or the Minister;
- (e) on the licence being revoked by the Authority under section 14.

(2) Upon the termination of a chit fund otherwise than by the expiry of the chit fund period as specified in the agreement or by a voluntary reduction of a chit fund under section 33, every subscriber who has not purchased a chit fund amount shall be entitled —

- (a) to recover from the chit fund company the aggregate of the actual amounts contributed by each subscriber as contributions under the agreement prior to the termination of the chit fund; or
- (b) to apply to a court of competent jurisdiction for an order —
 - (i) directing each subscriber who has drawn a prize amount in that chit fund to deposit in court upon the due dates the several contributions which, if the chit fund had not terminated, would have been payable by the subscriber to the chit fund company, until the aggregate of the amounts paid to the chit fund company by that subscriber before the termination of the chit fund and of the amounts so deposited in court become equal to the chit fund 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 chit fund, 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 subsection (2)(a), the chit fund company may apply for an order of court under subsection (2)(b) 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 in the action.

Sale by sealed tender as alternative to auction

41. The sale of the chit fund amounts may, if the terms and conditions of the agreement provided 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 chit fund amount, the subscribers by a majority representing three-quarters of the chit fund amount resolve to adopt the method of sealed tenders; and the method adopted for the sale of the first chit fund amount shall be followed at each subsequent sale in connection with that chit fund:

Provided that in every case where the tenders of 2 or more subscribers are of the same value, the chit fund 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.

Financial limits to be observed by chit funds

42.—(1) The total value of the chit fund to be conducted at any one time by a chit fund company shall be as prescribed by regulations made under this Act.

(2) For the purposes of this section, the “total value of the chit fund” means the aggregate of the chit fund amounts that are to be collected and put up for sale during the period of that chit fund.

Limits on lending powers of chit fund company

43.—(1) No chit fund company shall lend to any person other than to a subscriber who has not purchased the chit fund amount.

(2) A chit fund company may lend to a subscriber who has not purchased the chit fund amount but the amount so lent shall not exceed 75% of the aggregate contributions already paid by that subscriber or such other percentage as may be specified in regulations made under this Act.

(3) A chit fund company that lends to a subscriber under subsection (2) shall not be deemed to be a moneylender under the Moneylenders Act (Cap. 188) and that Act shall not accordingly apply to any transaction under this section.

PART V

RESERVE FUND, DIVIDENDS, BALANCE-SHEET,
INFORMATION AND REGULATION OF BUSINESS**Maintenance of reserve funds**

44.—(1) Every chit fund company shall maintain a reserve fund.

(2) At the end of each financial year, the net profit of each chit fund company shall be determined after allowing for taxation, and after making provision for bad or doubtful debts.

(3) Such part of the net profits as is specified in this subsection shall be transferred to the reserve fund at the end of each financial year, as follows:

- (a) where the reserve fund is 200% or more of the paid-up capital, a sum of not less than 5% of the net profits;
- (b) where the reserve fund is not less than 100% but less than 200% of the paid-up capital, a sum of not less than 15% of the net profits;
- (c) where the reserve fund is less than 100% of the paid-up capital, a sum of not less than 30% of the net profits.

Bad and doubtful debts

45. Every chit fund company shall, before the profit and loss account and balance-sheet are made out, take steps to ensure that all bad debts have been written off and make adequate provision for doubtful debts.

Restriction on payment of dividends by chit fund companies

46. No chit fund company shall pay any dividend on shares, until all its capitalised expenditure (including preliminary expenses, organisation expenses, share selling, commission, brokerage, amount of losses incurred and any item of expenditure not represented by tangible assets) has been completely written off.

Exhibition of audited balance-sheet

47. Every chit fund company shall exhibit throughout the year in a conspicuous position in every office and branch of that chit fund company, a copy of its last audited balance-sheet and profit and loss account together with the full and correct names of all persons who are directors of the chit fund company, as soon as the balance-sheet is audited.

Information and statistics to be furnished by chit fund companies

48.—(1) Every chit fund company shall furnish to the Authority, at such time and in such manner as the Authority may prescribe, all such information and data as the Authority may reasonably require for the proper discharge of its functions under the provisions of this Act.

(2) Every chit fund company that fails or neglects to furnish any information required by the Authority under subsection (1), and within the time specified by the Authority, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$1,000 for every day during which the default continues after conviction.

PART VI**INSPECTION OF CHIT FUND COMPANIES****Inspection and investigation of chit fund companies and production of books, etc.**

49.—(1) The Authority may, from time to time, inspect or cause to be inspected, under conditions of secrecy, the books, accounts and transactions of any chit fund company.

(2) The Minister may at any time direct the Authority to make an investigation, under conditions of secrecy, of the books, accounts and transactions of a chit fund company, if he has reason to believe that the chit fund company is carrying on its business in a manner detrimental to the interests of its subscribers and other creditors or has insufficient assets to cover its liabilities to the public, or is contravening the provisions of this Act or the regulations made thereunder.

(3) The Authority may appoint any auditor, other than the auditor appointed by the chit fund company under section 205 of the Companies Act (Cap. 50), to exercise the powers of the Authority under subsections (1) and (2).

(4) For the purpose of an inspection or investigation under this section, a chit fund company shall afford the Authority access to its books, accounts and documents and shall give such information and facilities as may be required to conduct the investigation:

Provided that those books, accounts and documents shall not be required to be produced at such times and at such places as shall interfere with the proper conduct of the normal daily business of that chit fund company.

(5) If any book, account or document or information is not supplied in accordance with subsection (4), the chit fund company concerned shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2,000 and, in the case of a continuing offence, to a further fine of \$250 for every day during which the default continues after conviction.

Powers of Authority to issue orders after inspection

50.—(1) If the Authority finds upon an inspection under section 49 that the affairs of a chit fund company are being conducted in a manner likely to be detrimental to the interests of the subscribers or prejudicial to the interests of the chit fund company, the Authority may by order require the chit fund company to take such corrective action as the Authority considers to be necessary or require the chit fund company to discontinue such practices or procedures.

(2) No order shall be issued under subsection (1) unless the chit fund company has been given a reasonable opportunity to present its views to the Authority.

(3) The Authority may, upon representation being made to it, or on its own motion, modify or cancel any order issued under subsection (1) and, in so modifying or cancelling any order, may impose such conditions as it thinks fit.

PART VII**MISCELLANEOUS PROVISIONS****Recovery of fees, expenses, etc.**

51. There shall be recoverable as a civil debt due to the Government from the chit fund company concerned the amount of any fees payable under this Act or any regulations made thereunder.

Exemption

52. Notwithstanding any of the provisions of this Act, the Authority may, with the approval of the Minister, exempt any chit fund company from all or any of the provisions of this Act.

Winding up provisions

53.—(1) Without prejudice to the provisions of the Companies Act (Cap. 50) —

- (a) a chit fund company (whether or not it is being wound up voluntarily) may be wound up under an order of the court on the application of the Minister; and
- (b) the court may order the winding up of a chit fund company if that company —
 - (i) has held a licence under this Act and that licence has expired or has been revoked;
 - (ii) has been declared insolvent; or
 - (iii) has carried on chit fund business in Singapore in contravention of the provisions of this Act.

[42/2005]

(2) In the winding up of a chit fund company that has been carrying on chit fund business, every subscriber who has not purchased a chit fund amount shall be entitled to recover his contribution in the manner set out in section 40(2).

Redemption of securities held by chit fund company

54.—(1) As soon as practicable after the making of an order for the winding up of a chit fund company, the liquidator of the company

shall publish in the *Gazette* a notice requiring every debtor of the chit fund company to redeem any property he has deposited with the company as security for any loan that he has obtained from the chit fund company, and shall also send by registered post the notice to every debtor whose security is held by the chit fund company and whose name is mentioned in the statement of affairs made out under section 270 of the Companies Act (Cap. 50).

(2) The notice shall specify the latest date up to which any security may be redeemed, which date shall not be less than 3 months from the date of the notice.

(3) After the latest date for redeeming any security held by the chit fund company specified in the notice, the liquidator may proceed to realise any security held by the chit fund company forthwith, notwithstanding any agreement setting out any other period of redemption previously entered into between the chit fund company and the debtor.

Operation of this Act not to affect certain Acts

55.—(1) Nothing in this Act shall affect the operation of the Companies Act, and any company that is liable to be incorporated under that Act shall continue to be so liable as if this Act had not been passed, but in case of conflict between that Act and this Act, the provisions of this Act shall prevail, unless otherwise provided in this Act.

(2) Nothing in this Act shall, unless it is expressly provided to the contrary, affect the operation of any written law relating to moneylending, finance companies, banking or insurance or the liability of any chit fund company under any such law.

General penalty

56. Any chit fund company which, or any person who being a director, an officer, an employee or an agent of a chit fund company, contravenes any of the provisions of this Act for which no penalty is expressly provided shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000.

Offences triable in District Court

57. Notwithstanding the provisions of any other written law, offences under this Act or any regulations made thereunder may be tried in a District Court which shall have the power to impose the maximum penalty prescribed for any offence under this Act.

Consent of Public Prosecutor

58. No prosecution in respect of any offence under this Act or the regulations made thereunder shall be instituted except with the consent of the Public Prosecutor.

[15/2010]

Offences by directors, managing directors or managers

59.—(1) Any person who, being a director, managing director or manager of a chit fund company —

- (a) fails to comply or take all reasonable steps to secure compliance by the chit fund company with the provisions of this Act or any other written law relating to chit fund companies in Singapore; or
- (b) fails to ensure or take all reasonable steps to ensure the accuracy and correctness of any statement or information submitted under this Act or any other written law relating to chit fund companies in force in Singapore,

shall be guilty of an offence and shall in respect of each offence be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 3 years or to both.

(2) In proceedings against a person under subsection (1), it shall be a defence to prove that he had reasonable grounds to believe and did in fact believe that a competent and reliable person was charged with the duty of securing compliance with the provisions of those laws or with the duty of ensuring that those statements were accurate and that that person was in a position to discharge that duty.

(3) A person shall not be sentenced to imprisonment for any offence under subsection (1) unless, in the opinion of the court, he committed the offence wilfully.

Holding out as chit fund company

60. Where any public or private company or firm holds itself out to be a licensed chit fund company when it is not licensed under this Act, the company or firm shall be guilty of an offence, and every director, manager or every officer of the company or the proprietor, partner or officer of the firm shall, unless he proves that such holding out by the company or firm was made without his knowledge or consent, be guilty of an offence and shall be liable on conviction to a fine not exceeding \$4,000 or to imprisonment for a term not exceeding 2 years or to both.

Regulations

61.—(1) The Authority may, with the approval of the Minister, from time to time make all such regulations for, or in respect of, every purpose which it considers necessary for carrying out the provisions of this Act and for the prescribing of any matter which is authorised or required under this Act to be so prescribed.

(2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Authority may, with the approval of the Minister, by such regulations —

- (a) prescribe fees to be charged under this Act;
- (b) prescribe the procedure to be adopted in registering the agreement or any other document or filing any document;
- (c) prescribe the accounts or books to be kept and the forms to be used by the chit fund company in any case where express provision is not made by this Act; and for providing for the periodical inspection of those accounts or books by the Authority or by an officer authorised by the Authority;
- (d) prescribe the periods during which the several documents registered or filed in the office of the Authority shall be preserved, and the method of disposal of such documents at the end of those periods;
- (e) prescribe in the agreement the duration of a chit fund, the highest rebate to be offered, the latest date on which contributions are to be paid and the nature of the security to

be given to the chit fund company by the purchaser of the prize and the amount of the commission that may be charged by a chit fund company;

- (f) prescribe the security to be given by the chit fund company for the discharge of its liabilities under the agreement and the place where the security shall be lodged;
- (g) prescribe the total value of chit funds to be conducted at any one time by a chit fund company in relation to the paid-up capital of that company;
- (h) prescribe additional essential terms and conditions or modify or amend existing terms and conditions under section 24;
- (i) regulate advertisements of chit fund companies;
- (j) vary the security to be furnished by the chit fund company or the subscriber, as the case may be; and
- (k) prescribe the rights, obligations, duties and liabilities of subscribers and the chit fund company.

(3) Every chit fund company which contravenes the regulations made pursuant to subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2,000.

LEGISLATIVE HISTORY

CHIT FUNDS ACT (CHAPTER 39)

This Legislative History is provided for the convenience of users of the Chit Funds Act. It is not part of the Act.

1. Act 28 of 1971 — Chit Funds Act 1971

- Date of First Reading : 19 October 1971
(Bill No. 21/71 published on
25 October 1971)
- Date of Second and Third Readings : 2 December 1971
- Date of commencement : 14 January 1972

2. Act 31 of 1972 — Monetary Authority of Singapore (Amendment) Act 1972

- Date of First Reading : 24 October 1972
(Bill No. 36/72 published on
25 October 1972)
- Date of Second and Third Readings : 3 November 1972
- Date of commencement : 22 December 1972

3. 1985 Revised Edition — Chit Funds Act (Chapter 39)

- Date of operation : 30 March 1987

4. Act 42 of 2005 — Statutes (Miscellaneous Amendments) (No. 2) Act 2005

- Date of First Reading : 17 October 2005
(Bill No. 30/2005 published on
18 October 2005)
- Date of Second and Third Readings : 21 November 2005
- Date of commencement : 1 April 2006 (item (7) of the
First Schedule — amendment to
Chit Funds Act)

5. Act 15 of 2010 — Criminal Procedure Code 2010

(Consequential amendments made to Act by)

- Date of First Reading : 26 April 2010
(Bill No. 11/2010 published on
20 April 2010)
- Date of Second and Third Readings : 19 May 2010

Date of commencement : 2 January 2011

6. 2013 Revised Edition — Chit Funds Act (Chapter 39)

Date of operation : 31 October 2013