

**CITIZEN INVESTMENT TRUST ACT,
2047**
with
(First Amendment)



ROYAL SEAL OF ENACTMENT AFFIXED ON --- 2047/12/4

ROYAL SEAL AFFIXED ON --- 2054/09/02 (December 17, 1997)

(English Translation)

August, 1991
Kathmandu, Nepal

CITIZEN INVESTMENT TRUST ACT, 2047
(with First Amendment)

Act No. 25 of 2047

An Act made to provide for the Establishment and Management
of Citizen Investment Trust

Preamble

Whereas, for the economic development of the country, it is expedient to establish and manage a Citizen Investment Trust in order to expand investment opportunities by encouraging general public to save capital and to bring dynamism in the development of capital market.

Now, therefore, His Majesty King Birendra Bir Bikram Shah Deva has, on the advice and with the consent of the Council of Ministers, made this Act pursuant to Article 129 of the Constitution of the Kingdom of Nepal, 2047.

CHAPTER - I

Preliminary

1. Short Title and Commencement :

- (1) This Act may be called "Citizen Investment Trust Act, 2047".
- (2) This Act shall come into force immediately.

2. Definitions :

Unless the subject or the context otherwise requires in this Act.

- (a) "Trust" means the Citizen Investment Trust established pursuant to Section 3.
- (b) "General Meeting" means the General Meeting of the Shareholders called pursuant to Section 21.
- (c) "Board" means the Board of Directors of the Trust formed pursuant to Section 25.

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- (d) "Chairman" means the Chairman of the Board.
- (e) "Director" means the Member of the Board and the term also includes the Chairman of the Board.
- (f) "Executive Director" means the Executive Director of the Trust appointed pursuant to Section 42.
- (g) "Share" means the fraction of the share capital of the Trust.
- (h) "Shareholder" means a person having ownership over the share of the Trust.
- (i) "Share Certificate" means the certificate issued to the shareholder by the Trust in respect to the purchase of shares.
- (j) "Credit" means loan given either on security or mortgage of any movable or immovable property or against any kind of deposit or collateral on the terms and conditions as may be determined by the Trust.
- (k) "Debenture" means any bond paper issued by the Trust with or without pledging any of its assets.
- (l) "Bond Paper" means the bond paper issued by His Majesty's Government under Public Debts Act, 2017.
- (m) "Security" means share, stock, cash, debenture, debenture stock and bond paper issued by His Majesty's Government and the term shall also include a receipt of deposit of security and the rights and letter of authority in respect of the security.
- (n) "Investment" means an investment in share, debenture and in other securities of any corporate body.
- (o) "Investment Account Scheme" means the Investment Account Scheme operated by the Trust pursuant to Section 15.
- ^o(p) "Citizen Unit Scheme" means the Citizen Unit Scheme operated by the Trust under Section 16. The term includes the capital fund collected from the common savers and investors, and the schemes to regulate that capital fund.
- (q) "Unit" means the unit issued for the collection of capital under the Citizen Unit Scheme.

^o Replaced by Citizen Investment Trust (First Amendment) Act, 1997.

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- (r) "Unit holder" means a person or corporate body having ownership over the unit of the Trust.
- (s) "Unit Certificate" means the certificate issued to unit holder by the Trust in lieu of the amount deposited in the Citizen Unit Scheme.
- (t) "Technical Sub-committee" means the technical sub-committee of Experts formed pursuant to Section 43.
- (u) "Corporate Body" means any bank, public company, industry or similar other governmental or non-governmental body established as a corporate body in accordance with the existing laws.
- ⊠(u1) "Trustee" means the Committee, Sub-Committee or any member of such Committee or Sub-Committee, or an officer-employee of the Trust, designated by it under Section 43A to manage according to the conditions mentioned in the relevant scheme the investment of the capital fund collected from savers and investors under this act, or to fulfil the obligations mentioned in the agreement signed in that connection with any corporate body.
- (v) "Prescribed" or "as prescribed" means prescribed or as prescribed in the Byelaws made under this Act.

CHAPTER - II

3. Establishment of the Trust :

- (1) A Trust called Citizen Investment Trust shall be established.
- (2) The Trust shall be an autonomous corporate body having perpetual succession.
- (3) The Trust shall have a seal of its own for its activities.
- (4) The Trust may sue or be sued under its name.
- (5) The headquarters of the Trust shall be located at Kathmandu and the Trust may open its branches or appoint agents or representatives within and outside the Kingdom of Nepal.

⊠ Added by Citizen Investment Trust (First Amendment) Act, 1997.

4. Share Capital and Shareholders :

- (1) The authorised capital of the Trust shall be Eighty Million Rupees and shall be divided into Eight Hundred Thousand shares of One Hundred Rupees each.
- (2) The issued capital of the Trust shall be Forty Million Rupees and the subscribed capital shall be Twenty Four Million Rupees. The shares of this amount shall be divided and distributed in the following manner:-
 - (a) His Majesty's Government - 10 percent
 - (b) Nepal Rastra Bank - 40 percent
 - (c) Security Exchange Centre - 10 percent
 - (d) Other Banks & Financial Institutions - 20 percent
 - (e) General Public - 20 percent
- (3) The sale and distribution of the shares as mentioned in clauses (d) and (e) of sub-section (2) shall be made subject to the provisions of Security Exchange Act, 2040. Provided while selling shares to any foreign bank of financial institutions or an alien, the Trust shall obtain an approval of His Majesty's Government.
- (4) The call of subscription to shares, allotment of shares, call for installments and distribution of share certificates shall be as prescribed.
- (5) Each share shall be indivisible and the shareholder shall be entitled in the General Meeting to cast one vote for each share subscribed by him.
- (6) The Liability of Shareholder shall be limited to the value of shares subscribed by him.

5. Alteration in the value of Share Capital :

The Board may, with the approval of His Majesty's Government, make alteration, as may be necessary, in the share capital of the Trust and allotment and pattern thereof.

6. Publication of Prospectus :

Prior to the issuance of shares or debentures for sale, the Trust shall publish its prospectus containing the prescribed particulars in the manner as prescribed.

⁶ Replaced by Citizen Investment Trust (First Amendment) Act, 1997.

7. Application for Share :

Any person or corporate body intending to purchase share of the Trust shall submit in the prescribed form an application in the manner as prescribed.

8. Share Certificate :

- (1) Each shareholder shall be provided with a share certificate for the shares he holds in the form as prescribed.
- (2) The particulars to be contained in the certificate and other provisions relating to certificate shall be as prescribed.

9. Issue of Debenture :

- (1) While issuing debentures, the Board shall, subject to sub-section (2) and (3), issue a prospectus as provided in Section 6.
- (2) If the debenture is being issued with the collateral of movable and immovable assets of the Trust, it shall obtain prior approval of His Majesty's Government or an agency specified by His Majesty's Government.
- (3) Where a debenture is issued without any collateral of the Trust's assets, it shall submit an information relating thereto within seven days of the issuance thereof.
- (4) Notwithstanding anything contained in the prevailing laws, the Trust may raise subsequent loans to the extent of its remaining value of the collateral already pledged, from other creditors against the same collateral, depicting clearly therein the name of earlier creditors and the amount of loan.
- (5) The Trust shall maintain a separate book showing the name and address of each creditor holding debentures of the Trust, the amount thereof and other requisite particulars.

10. Transfer of Shares and their Recording :

- (1) Subject to the provision of the Act the shares of the Trust may be transferred or pledged or mortgaged like a movable property.
- (2) If the right over any share is created in favour of a person due to death or liquidation of the shareholder or relinquishment of right through transfer according to Sub-section (1) or by any other means, and if such person shall submit an application with the evidence hereof such share shall be recorded in the register, in the manner as prescribed, in the applicant's name.

- (3) Other procedure relating to transfer of right and recording of the transfer in the register shall be as prescribed.

11. Register of Shares :

- (1) The Trust shall record, as prescribed, the name and other particulars of each shareholder in a Register maintained in the form as prescribed.
- (2) If any share is transferred or pledged or mortgaged or recording has to be made in accordance with the provisions of Section 10, the particulars thereof shall be entered in the Register maintained pursuant to Sub-section (1) and shall be kept up to date.

12. Powers to raise Loans and receive Grants :

The Trust may raise loans and receive grants for increasing its capital.

Provided that the approval of His Majesty's Government shall be required to raise loans from any foreign bank or organization.

13. Payment of Share Amount :

- (1) The shareholders shall pay, as prescribed, the amount called as installment of the share.
- (2) If any shareholder fails to pay the amount of installment as called for according to Sub-section (1), the Trust may impound the share held by such shareholder and any dividend paid on such share and realise such amount of installment from the dividend or forfeit such share as prescribed.
- (3) Where a share is forfeited pursuant to Sub-section (2), the Trust may sell, as prescribed, or give away in any manner or cancel such share.

14. Owner of Share of Debenture :

The Trust shall presume such person as owner of the share or debenture in whose name it is recorded in the Register of the Trust.

CHAPTER - III

Investment Account Scheme and Citizen Unit Scheme

15. Operation of Investment Account Scheme :

The Trust may, under the conditions as prescribed, open and operate Investment Account Scheme in the name of investors for investment in various sectors.

16. Operation of Citizen Unit Scheme :

The Trust may operate, as a Trustee, the Citizen Unit Schemes of various nature and kinds, as prescribed, in order to provide increased profits through expert investment management service to the depositors.

17. Special Powers of His Majesty's Government :

(1) His Majesty's Government may, through notice published in the Nepal Gazette, issue an order requiring compulsory deductions of money equivalent to the prescribed percentage from monthly salary of employees and workers of the government offices and the corporate bodies mentioned in such notice during the period prescribed in such notice and to deposit such money in the Investment Account Scheme.

(2) It shall be the duty of the concerned office or corporate bodies and the employees and workers engaged in such office or corporate bodies to abide by the order issued pursuant to Sub-section (1).

18. Provisions for Depositing Funds in the Investors Account Scheme or the Citizen Unit Scheme :

(1) Any Nepali national residing within the country or abroad or any foreign investor may deposit funds as determined by the Board in the Investors Account Scheme or the Citizen Unit Scheme.

(2) Any Nepali national who is residing abroad, or any foreign investor, may deposit funds in the Investment Account Scheme and the Citizen Unit Scheme under Sub-Section (1) in convertible foreign currencies as well.

(3) The Trust must secure the approval of His Majesty's Government and the Nepal Rastra Bank before operating the Investors Account Scheme or the Citizen Unit Scheme with a provision to allow the deposit of funds in a foreign currency on the condition that such funds will be repaid in the same currency.

[©] Replaced by Citizen Investment Trust (First Amendment) Act, 1997.

19. Distribution of Dividend :

- (1) The rate of dividend to be paid by the Trust in each fiscal year on the amounts deposited compulsorily in the Investment Account Scheme pursuant to Section 17 shall be as prescribed from time to time by His Majesty's Government.
- (2) The payment of the amount deposited in the Investment Account Scheme pursuant to Section 17 and the amount of dividend payable on such amount pursuant to Sub-section (1) shall be as prescribed.
- (3) If the Trust is unable to make payments as mentioned in Sub-section(2), such amount shall be paid by His Majesty's Government.
- ⌘(4) Out of the proceeds earned from investment of the amount deposited in the Investment Account Scheme or Citizen Unit Scheme, pursuant to Section 18, capital depreciations in the investment resources shall be deducted towards the prescribed expenses, service charges, Risk Investment Reserve Fund and Dividend Equalization Fund and the remaining amount shall be distributed proportionately among the concerned investors as dividend.

20. Unit Certificate :

- (1) The Trust shall issue Unit Certificate, in the prescribed form, to each Unit Holder.
- (2) The Unit Certificate may be, subject to the provisions of prevailing law, negotiated, sold or transferred.
- (3) The procedures relating to transfer, recording or exchange of Unit Certificate shall be as prescribed.

CHAPTER - IV

General Meeting and Board of Directors

21. General Meeting :

- (1) A preliminary General Meeting shall be held within one year of the establishment of the Trust. Thereafter, the Annual General Meeting shall be held within six months from the end of each fiscal year.

⌘ Added by Citizen Investment Trust (First Amendment) Act, 1997.

- (2) For holding the *General Meeting* as provided in Sub-section (1), a notice stating the place, date and time shall be issued to each shareholder twenty-one days in advance of the Meeting and such notice shall be published in prominent newspapers of Nepal.
- (3) The presence of ten percent of total shareholders, either in person or through proxy, representing sixty percent shares of the total number of shares of the Trust shall be deemed to have constituted the quorum for the *General Meeting*.
- (4) If the meeting could not be held due to the absence of requisite number of shareholders as provided in Sub-section (3), a next meeting may be convened with at least seven day notice and the meeting may be held if at least five shareholders having right to vote in the *General Meeting* representing thirty-three percent of the total number of shares are present in person.
- (5) Other procedures relating to the attendance in the *General Meeting* and the right to vote and conduct of meeting shall be as prescribed.

22. Voting Right during Appointment of Directors :

- (1) During the voting for appointment of Directors, each shareholder shall have a right to cast votes in a number equal to the number of his shares multiplied by the number of post of Director proposed to be filled in and the shareholder may cast all votes to one single candidate or to several candidates in the numbers specified by him,
- (2) Notwithstanding anything contained in Sub-section(1), His Majesty's Government and the cooperate bodies nominating Directors according to Section 25 shall not be entitled to vote in the voting pursuant to this Section.

23. Agenda to be submitted and discussed in the General Meeting :

- (1) The Board shall submit in the Annual *General Meeting* the audited balance-sheet and the profit and loss account of the previous fiscal year.
- (2) If any shareholder or shareholders, representing at least five percent of the total number of votes, desire any discussion and decision on any subject in the *General Meeting*, such shareholder(s) may submit to the Chairman the agenda on such subject with an application prior to the issuance of notice for such *General Meeting*.

- ⌘(3) In addition to the agenda submitted pursuant to Sub-section (1) and (2), the General Meeting shall also discuss on the accounts of the Trust, report of the Board, audit report, dividend to be distributed to the Shareholders, appointment and remuneration of Director and Auditor.
- (4) Notwithstanding anything contained in Sub-section (1), (2) and (3), the Board shall also submit in the Preliminary General Meeting called pursuant to Sub-section (1) of Section 21, a report together with the particulars of transactions conducted by the Trust prior to the holding of such meeting.
- (5) Other procedures relating to proposals to be submitted to the General Meeting, discussion therein and decisions thereof shall be as prescribed.

24. Extra-ordinary General Meeting :

- (1) The Board may, if it deems necessary, call the Extra-ordinary General Meeting.
- (2) During the audit of the Trust, if it is found necessary for any reason to call an Extra-ordinary General Meeting, the Auditor may request the Board to convene such meeting and the Board shall also convene such meeting accordingly.
- (3) If any shareholder holding at least ten percent shares of the subscribed capital of the Trust or at least twenty percent shareholders of total number of shareholders demand, with reasons specified, for the convening of an Extra-ordinary General Meeting through an application, the Board shall convene such Extra-ordinary General Meeting.
- (4) During an investigation or for any other reason, if His Majesty's Government deems necessary to convene an Extra-ordinary General Meeting, it may require the Board to convene such meeting.
- (5) While convening an Extra-ordinary General Meeting according to this Section, a prior notice of at least seven days shall be issued.

25. Formation of Board of Directors :

- (1) There shall be a Board of Directors of the Trust consisting of at least nine Directors.
- (2) The Board, as mentioned in Sub-section (1) shall consist of the following Directors :

⌘ Added by Citizen Investment Trust (First Amendment) Act, 1997.

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- (a) One person nominated by His Majesty's Government - Director
- (b) One person nominated by Nepal Rastra Bank - Director
- ⊠(c) One person nominated by Nepal Stock Exchange - Director
- (d) One person nominated or elected from among other financial Institutions- Director
- (e) One person elected from among general shareholders - Director
- (f) Three persons nominated by HMG from among persons having expertise & experience in the subjects relating to industry, commerce or capital market or investors. - Director
- (h) Executive Director of the Trust - Director
- (3) His Majesty's Government shall designate the Chairman of the Board from among the Directors nominated or elected pursuant to Sub-section (2).
- (4) An officer of the Trust designated by the Board shall function as the Secretary of the Trust.
- (5) The term of office of the Directors shall be five years and they shall be eligible for re-nomination or re-election.
- (6) Notwithstanding anything contained elsewhere in this Section, the Director nominated pursuant to Sub-section (2) may be replaced at any time by His Majesty's Government or concerned organisation.
- (7) If the post of any Director falls vacant prior to the expiry of his term, the post shall be filled for the remaining period in the same manner as it was earlier filled up.
- ⊠(8) Notwithstanding anything contained elsewhere in this Section, in case nay change is made under Section 5 in the share capital of the Trust, His Majesty's Government may change the number of Directors to be elected

⊠ Added by Citizen Investment Trust (First Amendment) Act, 1997.

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from among the shareholders according to need by notification in the Nepal Rajpatra.

26. Disqualification for Appointment or Continuance as Director :

- (1) None of the following persons may be appointed or elected as a Director :
 - (a) Who has not attained 21 years of age;
 - (b) Who is mentally insane or a lunatic;
 - (c) Who has gone bankrupt;
 - (d) Who is accused of committing any kind of theft or fraud or has misappropriated the property under his custody and convicted in such offense by the court;
 - (e) Who has some kind of personal interest in the tender of works or contract with the Trust; or
 - (f) Who is serving in the post of a Director of any bank or financial institution.
 - ✶(g) Any individual or institution who is an incumbent member or representative of the Stock Exchange.

- (2) No one shall continue in the post of a Director on following conditions :
 - (a) If he is disqualified pursuant to Sub-section(1) to be nominated or elected as a Director;
 - (b) If he absents himself from the meetings of the Board for three consecutive times without notifying the Board with reasonable cause of absence;
 - (c) If he performs any act against the Board or its decisions;
 - (d) If his resignation from the post is accepted;
 - (e) If any act of dishonesty or malice in the works of the Trust is proved by the court; or
 - (f) If he commits any offense punishable under this Act.

- (3) Notwithstanding anything contained in Sub-sections (1) or (2) :
 - (a) No disqualifications mentioned in clauses (a) and (b) of Sub-section (1) shall be applicable in respect of a person unless attested by a government physician.
 - (b) Any person mentioned in clause (a) of Sub-section (1) can be nominated and continue in the post of a Director, if approved by His Majesty's Government.
 - (c) A reasonable opportunity to defend himself shall be granted to any person before deciding against such person as disqualified to be

nominated or elected in the post of a Director or to continue in such post.

27. Remuneration and Allowance of the Directors :

- (1) The meeting allowance of the Directors for attending the meetings shall be as prescribed.
- (2) The monthly remuneration of a Director , who is expected to work on full time, and his travel allowance and per diem while on duties of the Trust shall be as prescribed.

28. Powers of the Board of Directors :

- (1) Subject to the provisions of this Act and the Byelaws made hereunder, it shall be duty of the Board to manage all functions, to exercise powers and perform duties of the Trust and to operate, direct, supervise and control general administration of the Trust.
- (2) The Board may delegate all or any of the powers enjoyed by it to any Director, Sub-committee, Executive Director or any employee of the rank of an officer of the Trust.

29. Meetings of the Board :

- (1) The meetings of the Board shall be held on the date, place and time as specified by the Chairman.
- (2) The meetings of the Board shall be held at least eight times per year and the intervening period between the two meetings shall not exceed two months.
- (3) Notwithstanding anything contained in Sub-section (2), if at least one third of the Directors request in writing, together with the agenda for discussion, the Chairman shall be obliged to call a meeting of the Board within seven days.
- (4) No meeting of the Board shall be held without the presence of at least fifty percent of the Directors.
- (5) The meetings of the Board shall be presided over by the chairman, and in his absence, the Director selected by the Directors from among themselves shall preside over the meeting of the Board.
- (6) In the meetings of the Board, the decision of the majority shall be valid and in case of tie in votes, the person presiding the meeting shall have a casting vote.

- (7) A separate register containing the names of Directors attending the meetings of the Board, the agenda discussed therein and the minutes of decisions made thereon shall be maintained.
- (8) The Board may determine itself other procedures relating to the meetings of the Board.

30. Responsibilities of the Directors:

- (1) If the Board intentionally or negligently causes or allows to be caused any loss or damage to the Trust such loss or damage shall be recovered personally in proportion from each Director.

Provided that any Director who has objected in writing against the act which has caused such loss or damage or who is ignorant of the commission of such act shall not be held responsible thereof.

- (2) No Director shall, except with a permission of His Majesty's Government, perform or get performed such act which renders personal benefit through the Trust.
- (3) A Director shall be personally responsible for any act performed beyond his jurisdiction.

31. Validity of Past Actions :

If any irregularity in respect of the nomination or election of a Director under this Act is detected later none of his acts performed prior to such detection shall be deemed to have been vitiated merely on grounds thereof.

CHAPTER - V

Rights, Duties and Functions of the Trust :

32. Functions and Duties of the Trust :

Subject to the provisions of this Act, the Trust may perform the following functions :

- (a) To operate, as a Trustee, the Citizen Unit Schemes of various nature and kinds, as prescribed, in order to provide increased profits through expert investment management service to the depositors.

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- (b) To operate voluntary or compulsory Investment Account Scheme and to invest the amount deposited in the account for the benefit of the investors.
- (c) To underwrite, in the manner as determined by the Trust, the shares of the various corporate bodies either alone or in syndicate with other banks or financial institutions.
- (d) To provide credits or bridge financing facilities to the corporate bodies.
- (e) To obtain ownership of securities by investing or reinvesting in various kinds of securities.
- (f) To provide expert consultancy services in respect of financial management of corporate bodies and alternative opportunities on savings and investment.
- (g) To act as broker of securities subject to Securities Exchange Act, 2040.
- (h) To encourage the corporate bodies to issue securities and to provide necessary services in respect of initial issue and sales management.
- (i) To provide credits for purchasing securities to the investors, who are participants of the Investment Account Scheme operated by the Trust.
- (j) To participate or assist in the works relating to formation, management and control of the corporate bodies on which investment has been made by the Trust.
- (k) To invest the Bond papers issued by His Majesty's Government either from the amount deposited in Citizen Unit Scheme or Investment Account Scheme or through the own resources of the Trust.
- (l) To grant term-loan to the corporate bodies.
- (m) To establish subsidiary company, as per necessity, for the development of capital market.
- ⌘(m1) To provide consultancy services in matters relating to the capital market, and conduct training and perform other functions related thereto.
- (n) To invest the moines of non-resident Nepali citizens deposited in the Citizen Unit Scheme in foreign securities with the approval of Nepal Rastra Bank.
- (o) To collect management fees, service charges, commissions, brokerage charges and other fees for the services rendered by the Trust.

⌘ Added by Citizen Investment Trust (First Amendment) Act, 1997.

- (p) To perform banking functions with foreign banks with the approval of Nepal Rastra Bank.
- (q) To purchase, acquire, own or rent any movable, immovable or any kind of property through payment in lump sum or installments or in credit or by any other means, and to sell or exchange any movable or immovable properties under its ownership.
- (r) To permit in respect of fulfilling obligations under any contractual commitment or agreement of a corporate body, performance according to the terms of lien granted as a trustee or of such contractual commitment or to carry out such obligations.
- (s) To accept any movable or immovable property as collateral or pledge or hypothecation or lien or to permit their pledging, and to accept, as may be necessary any agreement or contract or any document or papers, and to lay down terms and conditions for the protection of its own interest and the use confirming to the facilities provided by itself.
- (t) To perform all other function arising in connection with the exercise of rights and performance of duties and functions provided in this Act.

✱32A. Trust May Function as a Debenture Trustee :

- (1) The Trust may function as a trustee in connection with debentures issued or being issued by any corporate body.
- (2) While functioning in the capacity of trustee according to Sub-Section (1), the Trust must complete the prescribed procedures.

✱32B. Trust May Function as a Custodian :

- (1) The Trust may perform such functions on behalf of local or foreign investors as taking custody of their securities, selling and purchasing such securities or making arrangements for such sale and purchase, arranging for the transfer and transmission of securities sold or purchased and collecting interest or profit accruing thereon.
- (2) The Trust must complete the prescribed procedures while functioning as a custodian under Sub-Section (1).

✱ Added by Citizen Investment Trust (First Amendment) Act, 1997.

33. Power to Lay down Terms and Conditions :

- (1) The Trust may, while transacting with or granting loans to any corporate body, prepare documents incorporating such terms and conditions as it may deem necessary for protection of its own interests and for the proper utilization of the credits or facilities granted by itself.
- (2) Notwithstanding anything contained in the prevailing laws, while preparing documents pursuant to Sub-section (1), the Trust may prescribe any duration of payments, require the paying back of the principal and interests of the credit already paid to such indebted corporate body in case of default in the terms and conditions laid down by the Trust, or incorporate powers to realise the due amount through seizure of the property pledged in the document and the sureties thereof.
- (3) The Trust may, while granting credits to the corporate body, prepare the document for entire amount of credit and incorporate conditions therein with gradual release of prescribed installments in the form of cash, cheque or letter of commitment or letter of credit, with stipulation that the interests shall be computed only from the date of payment of such installments by the Trust.
- (4) While laying down conditions under Sub-section (1), the Trust may also incorporate the condition empowering the Trust to appoint Director in the Board of Directors of the corporate body and where such condition is stipulated, notwithstanding anything contained in this Act or any other prevailing laws, the said condition shall prevail.

34. Special Exemption to the Trust :

- (1) No revenue ticket or registration charge shall be levied on any transaction accepting collateral property from the debtor corporate body or from surety by the Trust, or transferring such collateral property or surety in the ownership of the Trust, or purchasing or selling any immovable property by the Trust.
- (2) If the full amount of credit due from debtor corporate body could not be realised by the Trust from the collateral properties pledged in the registered document, it may realise such amount in balance from other properties of the debtor corporate body in accordance with the prevailing laws.
- (3) The rights of the Trust in respect of the collateral properties mentioned in the pledging document shall not be deemed to have exhausted merely due to the reasons that the Trust failed to seize the property or to initiate any

proceedings for realizing the credit within the time limit specified in the conditions contained in such pledging document.

- (4) Where any collateral property had been seized by the Trust or used under possession or rented or leased to any person or assigned for operation with profit-sharing arrangement, according to the conditions mentioned in the pledging document, no such action alone in itself shall be construed to affect the rights of the Trust to realise interests and additional charges receivable for default in the payment of installments or to sell the collateral property.

35. Powers of the Trust against Breach of Agreement :

- (1) If any corporate body breaches the conditions of Agreement with the Trust by refusing to pay any credit, interests thereon or amount due in advance payments, or if the Board considers for a reasonable cause necessary to control the financial management of such corporate body, the Trust may, despite that the time due for such payment under the conditions of Agreement is still immature, realise its dues either through exercising control over management and financial transactions of the debtor corporate body or through seizure and use of the collateral property or any other properties of such corporate body, or by assigning such property in rent or lease, or by selling them through auction or tender bids or mutual negotiations.
- (2) Where any collateral property or other property of the debtor corporate body was seized and sold off in auction or tender bids pursuant to Sub-section (1), the amount received by the Trust in excess of the dues shall be paid to the concerned corporate body.
- (3) Where any property of the debtor corporate body had been sold off in auction or tender bids pursuant to Sub-section (1), or could not be sold off despite repeated attempts therefor, or if the Trust decides to retain the ownership of such property considering the sale thereof in the offered amount would not be in the interest of the Trust, the Office empowered to record the alteration shall record such property in the name of the person purchasing in auction or in the name of the Trust.

36. Powers to Call Back Loans Prior to the Expiration of the Term of the Agreement

Notwithstanding anything contained in the Agreement or contract or other documents, the Trust may call back the loan due to it from the debtor corporate body on the following conditions prior to the expiration of the term of the Agreement, by giving a written notice to this effect.

- (a) If the Board observes that the debtor corporate body has given any false or misleading particulars in the application for credit.

- (b) If the debtor corporate body has failed to fulfill its obligations mentioned in the loan agreement.
- (c) If the Board deems that the debtor corporate body is unable to pay back the outstanding loan or credit or advance.

CHAPTER - VI

Accounts of the Trust, Reserve Fund and Dividend :

37. Accounts of the Trust :

- (1) The Trust shall keep and maintain the accounts of its financial transactions in the proper form in Nepali language. The Trust may maintain such accounts in English language also, in addition to Nepali, for its own convenience.

Provided that, where two accounts are being maintained, the accounts in Nepali language shall be accepted as authentic.
- (2) In the accounts to be maintained pursuant to Sub-section (1), the detailed description of the investment made by the Trust, the raised and disbursed loans and financial transactions, particulars of each income and expenditure, purchase and sale of goods and materials, full particulars of assets and liabilities of the Trust shall be shown clearly depicting the actual position of the functions of the Trust.
- (3) Notwithstanding anything contained in Sub-section (2), separate accounts each for Investment Account Scheme and Citizen Unit Scheme operated by the Trust shall be maintained.
- (4) Except as approved by His Majesty's Government, the accounts pursuant to this section shall not be maintained at any place other than the office of the Trust and any Director may inspect such accounts at any time he may wish.
- (5) Expecting the amount as specified by the Board, all cash deposits of the Trust shall be kept only in the commercial bank where such bank exists.
- (6) The Trust shall collect in every three months the financial statements from its branches and keep it up-to-date.

38. Balance sheet and Profit and Loss Account :

The Trust shall prepare, within three months from the closing of the fiscal year its balance sheet and profit and loss account and such balance sheet shall be counter-signed by the Executive Director, Chief Accountant and at least two Directors of the Trust. The Trust shall submit such balance sheet and the profit and loss account to His Majesty's Government.

39. Audit :

The accounts of the Trust shall be audited by the Auditor General or by an Auditor designated by him.

40. Reserve Fund :

The Trust shall set aside at least twenty percent each year from the profits earned from its capital and services and shall create a Reserve Fund.

41. Distribution of Dividend :

The Trust may distribute the dividends from its profits to the shareholders only after replenishing initial expenditures of the Trust and the losses, if any, incurred in earlier years and after setting aside in the Reserve Fund such amount as prescribed in Section 40.

CHAPTER - VII

Miscellaneous :

42. Staff Arrangement :

- (1) His Majesty's Government may appoint an Executive Director for the day to day operation of the Trust.
- (2) The tenure of the Executive Director shall be of five years and His Majesty's Government may extend his tenure for another five years.
- (3) The Board may appoint as necessary such advisors, officers and employees as may be required for efficient operation of functions of the Trust.
- (4) The remuneration, privileges and conditions of service of the Executive Director, Advisors, Officers and employees of the Trust appointed pursuant to Sub-section (1) and (2) shall be as prescribed.

43. Technical Sub-committees :

- (1) The Board may constitute, as may be necessary, several Technical Sub-committees for the efficient operation of the functions of the Trust and for the expert management of the Investment Account Scheme and Citizen Unit Scheme.
- (2) The powers, functions and duties of the Sub-committees constituted pursuant to Sub-section (1) shall be as prescribed.

✕43A. Trust May Designate Trustee :

- (1) The Trust may designate any Committee or Sub-Committee, or a member of such Committee or Sub-Committee, or an officer- employee of the Trust to function as a trustee discharging the powers and responsibilities assumed by it in order to manage according to the conditions mentioned in the relevant scheme the investment of the capital fund collected from savers and investors under this Act or fulfil the obligations mentioned in the agreement signed in that connection with any corporate body.
- (2) The functions and duties of the trustee designated by the Trust under Sub-Section (1) shall be as prescribed.

44. Oath :

Each Director, Executive Director, Advisor, Members of the Technical Sub-committees, Officers and Employees of the Trust shall take the oath as prescribed prior to assumption of their respective post.

45. Powers of His Majesty's Government to Suspend the Board :

- (1) If the Board is unable to perform the functions to be performed under this Act, His Majesty's Government may, by publishing a notice in the Nepal Gazette, suspend the Board for a maximum period of one year.
- (2) Where the Board is suspended pursuant to Sub-section (1), His Majesty's Government may designate any person, a Committee of some persons or an agency to perform the functions and duties to be performed by such Board under this Act.
- (3) All acts and transactions performed according to this Act and the Byelaws made hereunder by the person or Committee of persons or the agency designated pursuant to Sub-section (2) to exercise the functions and duties

✕ Added by Citizen Investment Trust (First Amendment) Act, 1997.

of the Board shall be deemed valid as if having performed by the Board constituted under this Act.

46. Liaison with His Majesty's Government :

The Trust shall liaise with His Majesty's Government through the Ministry of Finance.

47. Annual Report :

The Board shall submit within nine months from the closing of fiscal year the Audit Report and a report relating to the functions of the Trust to His Majesty's Government.

48. Orders & Directives of His Majesty's Government :

His Majesty's Government may, in view of the monetary situation and capital market of the country and the interest of the investors, issue requisite orders or directives to the Trust and it shall be the duty of the Trust to abide by such orders and directives.

49. Orders and Directives of Nepal Rastra Bank :

Nepal Rastra Bank may, in view of the monetary situation of the country and with the objectives to increase the efficiency of the Trust, issue from time to time orders and directives to the Trust. It shall be the duty of the Trust to abide by such orders and directives.

50. Inspection and Investigation :

- (1) His Majesty's Government may appoint an Inspector to inspect the functions and transactions of the Trust.
- (2) The Inspector appointed pursuant to Sub-section (1) may examine all accounts and documents of the Trust.
- (3) The Inspector appointed under this Section shall submit its inspection report to His Majesty's Government.

51. Exemption from Income Tax :

- (1) Notwithstanding anything contained in the prevailing laws, the income tax on the income earned from investments made by the Trust shall be fully exempted.

- (2) His Majesty's Government may grant exemption from the income tax on the investment made in the Trust and the income earned there from, upto the period and limits prescribed by it in the notice published in the Nepal Gazette.

52. Special Powers of the Trust :

The Trust may prescribe terms and conditions in respect of the investments, saving funds under the Investment Account Scheme and Citizen Unit Scheme, investment management and other services to be rendered by the Trust under this Act, and the commission, service charges and fees in respect of such services.

53. Protection of Loan Investment of the Trust :

Notwithstanding anything contained in the prevailing laws, if any corporate body in which the Trust has made loan investment is dissolved, the Trust shall have first priority rights over the properties of such corporate body.

54. Maintenance of Secrecy :

- (1) Notwithstanding anything contained in the prevailing laws, no information in respect of the relationship between the Trust and its clients and on the transaction of the Trust or particulars of accounts shall be given to any other person, except to the concerned person.
- (2) Notwithstanding anything contained in Sub-section (1), no breach of secrecy of the transactions or accounts of the Trust shall be deemed to have been made when an information is provided to the Court in course of any case, suit or any kind of legal proceedings, or any inspection is made by the Auditor in course of audit, or by the Inspector deputed for inspection.
- (3) The court or Auditor or any other person shall not breach the secrecy of the transaction or accounts of the trust during such inspection thereof.

55. Dissolution of the Trust :

The Trust may be dissolved on the following situation :

- (a) If His Majesty's Government perceives that the Trust is unable to refund to the Unitholders under Citizen Unit Scheme and to the Investors under Investment Account Scheme, or to pay back other loans or to perform the functions under this Act.
- (b) If His Majesty's Government decides for any reasonable cause in favour of dissolving the Trust.

56. Appointment of Liquidator :

- (1) If the Trust is being dissolved pursuant to Section 55, His Majesty's Government shall appoint Liquidator.
- (2) The rights and duties of the Liquidator appointed pursuant to Sub-section (1) shall be similar to the Government Liquidator under Company Act, 2021.
- (3) The Liquidator shall receive his remuneration and allowance, at the rate prescribed by His Majesty's Government, from the Trust.

57. Order of Priority for Payment of Liabilities :

The liabilities of the Trust shall be paid back on its dissolution at the following order of priority :

- (a) Expenses incurred in the process of dissolution;
- (b) Remuneration and other dues owed to the employees or workers of the Trust.
- (c) Amounts under Investment Account Scheme, Citizen Unit Scheme and Mutual Fund Scheme;
- (d) Outstanding loans; and
- (e) Amount owed to His Majesty's Government.

58. Punishments :

- (1) Any person, who intentionally enters or causes to enter any false particular in the investment made or any credit advanced by the trust, or in any statement or evidence made available to the Trust for receiving any kind of facility therefrom, or in any receipt pledged as collateral, or in any other documents, and if any loss or damage is caused to the Trust therefrom, shall be punished with, in addition to the recovery of the amount so lost or damaged, an imprisonment of upto one year or a fine of upto five thousand rupees or both.
- (2) Any person who breaches the secrecy in contravention of Section 54 shall be punished with a fine of upto three thousand rupees or an imprisonment of upto three months or both.
- (3) Any person who hinders in or objects to any work of the Inspector appointed under Section 50, or refuses to let him examine, without reasonable cause,

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any account or document sought by him, shall be punished with a fine of upto two thousand rupees or an imprisonment of upto two months or both.

- (4) Any person who uses the name of the Trust in any prospectus or advertisement without written approval of the Trust shall be punished with a fine of upto one thousand rupees or an imprisonment of upto one month or both.

59. Powers to make Byelaws :

Subject to the provisions of this Act, the Trust may, for the proper management of its internal functions, make Byelaws with the approval of His Majesty's Government.

ROYAL SEAL OF ENACTMENT AFFIXED ON --- 2047/12/4

ROYAL SEAL AFFIXED ON --- 2054/09/02 (December 17, 1997)