

STOCK EXCHANGE (INVESTMENT CLUBS) RULES 1994

GN 83/94 - Section 56 - 19 May 1994

1. These rules may be cited as the Stock Exchange (Investment Clubs) Rules 1994.
2. In these rules-
“club” means an investment club.
- 3 Every club shall-
 - (a) give notice of its formation to the Commission within 14 days; and
 - (b) apply to the Commission for registration within 30 days of its formation.
4. (1) Every application for registration of a club shall be accompanied by -
 - (a) a copy of the rules of the club;
 - (b) a list of the members showing their names, occupation and addresses;
 - (c) a certified copy of the minutes of proceedings at which the rules of the club were approved and the officers appointed; and
 - (d) a notice of the address of the seat of the club.

(2) The Commission may require the Secretary of the club to provide any further information as it may reasonably require for the purpose of considering the application.
- 5 (1) The Commission shall -
 - (a) not register a club unless its rules contain the provisions set out in the Schedule or such comparable provisions as may be acceptable to the Commission;
 - (b) cancel the registration of a club where its rules are amended without prior approval of the Commission.

(2) Where the Commission refuses to register a club or cancels its registration the club shall be dissolved.

(3) Where the Commission is satisfied that the club should be registered, it shall register the club and issue to the club a certificate of registration.

(4) A certificate of registration -
 - (a) shall be valid for 5 years; and
 - (b) may be renewed.
- 6 (1) No club shall be registered unless there is a minimum of 5 members and a maximum of 30 members.

(2) Every club shall have -
 - (a) a president;
 - (b) a vice-president;
 - (c) a secretary;
 - (d) a treasurer;

(3) Every club shall also have a financial intermediary who shall-

- (a) be a licensed stockbroker or any other person acceptable to the Commission;
- (b) not be a member of the club.

(4) Subject to these regulations, each of the persons specified in paragraph (2) shall have such functions as are laid down in the rules of the club.

(5) Each member of the club shall contribute into the fund of the club an initial maximum sum of 5000 rupees and a monthly maximum sum of 3000 rupees.

[13/01]

7. (1) Subject to paragraph (2), the accounting year of the club shall be from 1st July to 30th June.

(2) The accounting year of the club in the year of its registration shall start from the day of its registration and end on 30th June next following that date.

(3) The treasurer of the club shall, with the assistance of the financial intermediary of the club keep monthly records to the satisfaction of the Commission of -

- (a) contributions paid by each member and his share in the total amount subscribed;
- (b) purchases and sales of securities constituting the portfolio; and
- (c) the cash position at each month end.

(4) Securities acquired by the club shall be registered in the name of the club.

8. The dividends earned during an accounting year by the club from its investments may be distributed to the members in proportion to the number of shares owned by them or, if a member so requests, be retained in settlement of the monthly contribution payable by the member.

9. (1) The club shall be dissolved upon a motion to that effect obtaining the support of members representing three-fourths of the voting power of the club.

(2) The club shall be automatically dissolved if at any time its membership drops below five.

(3) Upon dissolution of the club, its assets or the proceeds of sale of such assets shall be distributed among the members in proportion to the number of units or shares held by each member of the club.

10. The secretary of the club shall file such returns with and furnish to the Commission such information or record as the Commission may require.

SCHEDULE

(regulation 5)

RULES OF INVESTMENT CLUB

Chapter 1 - Objects and formation of club

Article 1

This club, named, is formed with effect from between the undersigned founding members. The rights and obligations of the members of the club shall, to all intents and purposes, be governed by the Stock Exchange (Investment Clubs) Rules 1994 and by articles 812 to 815-2 of the Civil Code.

Article 2

The object of the club is to educate and inform each and every of its members of stock exchange matters through the collective management of a securities portfolio in the custody of the financial intermediary.

Article 3

This present agreement shall take effect as from and is valid for a duration of 5 years subject to renewal.

Article 4

The club shall be constituted of at least 5 members and a maximum of 30 members.

Article 5

Each member shall adhere to one club only and shall under no circumstances be member of a similar club.

Chapter 2 - Funds of the club

Article 6

- (1) Each member shall make such monthly contribution not exceeding as may be determined by the club, preferably in multiples of 100.
- (2) Any decision purporting to modify the amount to be of the contribution shall be supported by members of the club representing three-fourths of the voting power of the club.

Article 7

The contribution of each member shall be accounted on a monthly basis either in terms of number of shares or thousandth of a share.

Article 8

- (1) Any delay in the payment of a contribution shall entail such penalty as may be decided by the members of the club.
- (2) The penalty shall be added to the funds of the club.
- (3) A delay of more than 3 months in effecting such payment may entail the expulsion of the defaulting member in accordance with Article 18.

- (4) The defaulting member's contributions shall be reimbursed after deducting therefrom any penalty due.

Chapter 3 - Management of Club's Funds

Article 9

The funds collected by the club shall be used solely for the purpose of investing in and managing a portfolio of traded securities and, with the approval of the Commission, other securities.

Article 10

There shall be not less than 10 meetings of the members of the club every year.

Article 11

- (1) Any decision taken by the club shall require the support of members representing not less than three-fourths of the voting power of the club.
- (2) Each member shall be entitled to such voting right as is proportionate to that number of shares in the funds of the club as is held by the member.

Article 12

Any member may vote by proxy but in no circumstances shall a member hold more than one third of the voting rights of all the members of the club.

Article 13

- (1) The president, vice-president, secretary and treasurer of the club shall be elected by the members of the club within the first quarter of each year save and except in the year of formation of the club when such office bearers may be elected at any time during that year.
- (2) The president of the club or upon his incapacity, the vice-president –
 - (a) shall be the person empowered to transmit, buy and sell orders to the financial intermediary who shall have no say in the decision making; and
 - (b) may negotiate with third parties at all levels.
- (3) The treasurer shall collect the contributions of members and maintain all accounting documents.
- (4) The secretary shall report upon the deliberations of all committee meetings.

Article 14

- (1) A bank account in the name of the club shall be opened by the financial intermediary upon receipt from the secretary of the club of -
 - (a) a certified copy of the rules of the club as certified by the president; and
 - (b) a copy of the proceedings of the executive committee meeting appointing the chairman, certified by the secretary and the treasurer.
- (2) The treasurer shall pay into that fund the monthly contributions of members.
- (3) The financial intermediary shall –
 - (a) forward the list of executed market orders to the president together with copy of the treasurer;

- (b) effect compulsory announcements regarding payment of dividends and other forms of income in conformity with the distribution scheme submitted by the president;
- (c) be entrusted with the custody of the share or other certificates respecting the securities within the club's investment portfolio.

Article 15

The club may request the financial intermediary to attend any of its meetings for the purpose of advising the club.

Chapter 4 - Admission, Withdrawal, Death, Exclusion

Article 16

- (1) The admission of a new member shall, subject to the limits prescribed in article 4, be submitted to the unanimous approval of members present or represented by proxy.
- (2) When a new member is admitted, the club shall carry out an evaluation of the share of the assets of the club held by each member based on the prices of shares as quoted on or immediately before the admission of the member.

Article 17

- (1) A member may withdraw from the club upon giving prior notice of months and after having informed the president by registered mail with acknowledgement of receipt.
- (2) The contributions of such a member shall, on his withdrawal, be reimbursed to him on the basis of share prices prevailing on the day on which his withdrawal takes effect less a charge of two per cent.

Article 18

- (1) A member may be expelled from the club upon a motion to that effect being supported by members representing two-thirds of the voting power of the members of the club who are present at the meeting at which such a motion is put to the vote.
- (2) Where a member is expelled, his share in the assets of the club shall be reimbursed to him on the basis of the prices of shares as quoted on or immediately before the date of the expulsion less a charge of two per cent.

Chapter 6 - Accounts

Article 19

- (1) The financial intermediary appointed by the club shall, at the beginning of each year, inform each member of the club of that amount of income cashed by the club as is attributable to the member's share in the assets of the club for the purposes of appropriate income tax credit or relief certificates.
- (2) That income may be distributed or, if a member so decides, withheld by the club as the member's contribution or additional contribution, as the case may be, into the funds of the club.
- (3) The club shall proceed to determine the weighted average value of its investments upon each new acquisition of securities and shall communicate that value to each member at the time of dissolution of the club.

Chapter 7 - Dissolution

Article 20

- (1) The club shall be dissolved if a motion for its dissolution obtains the support of members of the club representing three-fourths of the voting power of the club.

- (2) The club shall be automatically dissolved if its membership drops to less than 5 at any time.

Article 21

Upon dissolution of the club, its assets or the proceeds of sale of such assets, as the case may be, shall be distributed among members in proportion to the number of shares held by each member of the club.

Article 22

After due consideration of these articles and taking full cognizance of the modus operandi of the club, the persons whose names and signatures appear in the list below hereby decide to set up the club.

Name and signature of the members of the club

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Name and signature of the financial intermediary

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