Citizen Investment Trust Act, 2047 (1991)

Date of Authentication and Publication
2047-12-4 (18 March 1991)

Amendments:

1. Citizen Investment Trust (First Amendment) 2054-9-2

   (1 April 2002)

   (21 Jan. 2010)

Act Number 25 of the Year 2047 (1991)

An Act made to establish and provide for Citizen Investment Trust

Preamble: whereas, for economic development of country, it is expedient to provide for provisions to establish Citizen Investment Trust in order to increase opportunities of investment upon encouraging including general public for capital saving and to bring dynamism in the development of capital market

Now, therefore, be it enacted by His Majesty King Birendra Bir Bikram Shah Dev, with consultation and consent of Council of Ministers, pursuant to Article 129 of the Constitution of Kingdom of Nepal.
Chapter-1

Preliminary

1. **Short Title and commencement:** (1) This Act may be called "Citizen Investment Trust Act, 2047 (1991)"

   (2) This Act shall come into force immediately.

2. **Definition:** Unless the subject or the context otherwise requires, in this Act,-

   (a) "Trust" means Citizen Investment Trust established pursuant to Section 3.

   (b) "General Meeting" means general meeting of shareholders called pursuant to Section 21.

   (c) "Committee" means Board of Directors of the Trust constituted pursuant to Section 25.

   (d) "Chairperson" means Chairperson of the Committee.

   (e) "Director" means member of Committee and this expression includes Chairperson of the Committee also.

   (f) "Executive Director" means Executive Director of the Trust appointed pursuant to Section 42.

   (g) "Share" means divided part of share capital of the Trust.

   (h) "Shareholder" means person having ownership in share of the Trust.

   (i) "Share Certificate" means certificate issued by the Trust to shareholder for purchasing the share of Trust.

   (j) "Loan" means loan to be provided as per the terms and conditions determined by the Trust upon taking any movable or immovable
collateral or mortgage or other security or guarantee as may be required

(k) "Debenture" means debenture issued by the Trust with or without placing the Trust's assets as security.

(l) "Bond" means debt bond issued by the Government of Nepal pursuant to Domestic Borrowing Act, 2059.

(m) "Security" means share, stock, cash, debenture, debenture stock and debt bond issued by the Government of Nepal and this expression also includes deposit related receipt of stock as well as right and letter of authority (Adhikar Patra) relating to stock.

(n) "Investment" means investment made in share or debenture and other securities of any corporate body.

(o) "Investment Account Scheme" means investment account scheme operated by Trust pursuant to Section 15.

1(px) "Citizen Unit Scheme" means citizen unit scheme operated by Trust pursuant to Section 16 and this expression also includes capital fund accumulated by collecting from general depositors and investors and the scheme to manage such capital fund also.

(q) "Unit" means unit issued to collect capital under Citizen Unit Scheme.

(r) "Unit Holder" means any individual or corporate body having ownership in unit of the Trust.

(s) "Unit Certificate" means certificate issued by the Trust to Unit Holder in consideration of making investment in Citizen Unit Scheme.

1 Amended by the First Amendment.
(t) "Technical Sub-Committee" means technical sub-committee of specialists constituted pursuant to Section 43.

(u) "Corporate body" means Bank, Public Company, Industry or similar other Governmental or Non Governmental Organization established as corporate body as per the prevailing law.

(u1) "Trustee" means Committee, Sub-committee of Trusts or member of such Committee or Sub-committee or Officer employee of the Trust as prescribed by the Trust pursuant to Section 43a to manage capital fund accumulated by collecting from depositor and investors as per the terms and conditions of concerned scheme or, to fulfill obligation created by agreement held with any other corporate body in this regard.

(v) "Prescribed" or "as Prescribed" means prescribed or as prescribed in Bye-laws made under this Act.

**Chapter-2**

**Establishment, Capital and Management**

3. **Establishment of Trust:** (1) A Trust called ‘Citizen Investment Trust’ shall be established.

   (2) Trust shall be an autonomous and corporate body having perpetual succession.

   (3) Trust shall have its own separate Seal for its act and activities.

   (4) Trust may, subject to this Act, acquire, possess, hold, sell and manage otherwise movable or immovable property.

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2 Inserted by the First Amendment.
(5) The Trust may sue from its own name and it may be sued in the same name.

(6) Head Office of the Trust shall be located at Katmandu and the Trust may open branches inside or outside Nepal and may appoint agent or representative.

4. **Share Capital and Shareholder:** (1) Authorized capital of the Trust shall be Eighty Million Rupees and the amount shall be divided into Eight Hundred Thousand shares at the rate of One Hundred Rupees each.

(2) Issued capital of the Trust shall be Forty Million Rupees and Paid up capital shall be Twenty Million Four Hundred Thousand Rupees. Share of the amount shall be distributed as per the following division:

| (a) Government of Nepal   | 10 Percent |
| (b) Nepal Rastra Bank     | 40         |
| (c) Nepal Stock Exchange Ltd | 10       |
| (d) Other Bank and financial Institutions | 20 |
| (e) General Public        | 20         |

(3) While selling and distributing share of the Trust pursuant to Clauses (d) and (e) of Sub- Section (2), it shall have to be done subject to Securities Act, 2063.

Provided that, the Trust shall take approval of the Government of Nepal while selling or distributing share to any foreign Bank or Financial Institution or foreign citizen.

(4) The Provisions relating to invitation for application of share, call for payment of allotted share and distribution of share certificate shall be as prescribed.
(5) Each share shall be indivisible and shareholder shall be entitled to cast one vote for each share owned by him/her in General Meeting.

(6) The Liability of shareholder shall be limited to the extent of the value of the share owned by him/her.

5. **Addition or Reduction may take place in Share Capital:** Committee may, upon taking prior approval of the Government of Nepal, be entitled to add or reduce share capital of Trust, distribution and composition thereof as may be required.

6. **To be published Prospectus:** The Trust shall publish Prospectus as prescribed setting out the prescribed details before issuing its share or debenture for sale.

7. **Application of Share:** Individual or corporate body who intends to purchase share of the Trust shall make an application in such a manner and format as prescribed.

8. **Share Certificate:** (1) Every shareholder shall be given share certificate in such a format as prescribed for the share owned by him/her.

   (2) Particulars to be set out in the share certificate and other provisions relating to certificate shall be as prescribed.

9. **Issuance of Debenture:** (1) In case issuance of debenture is required, Committee may, subject to Sub Section (2) and (3), issue debenture upon publishing Prospectus pursuant to Section 6. (2) Prior approval from the Government of Nepal or from the Authority as prescribed by Government of Nepal shall have to be obtained by the Trust in case the debenture is to be issued by keeping movable or immovable asset of Trust as security.

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Amended by the First Amendment.
(3) In case the debenture has been issued without keeping the asset of Trust as security, it shall be notified to the Government of Nepal within a period of Seven days of such issuance.

(4) Notwithstanding anything contained in the prevailing law, the Trust may take loan from other creditor also to the extent of the value of the security already provided to previous creditor by disclosing the previous creditor and the amount of loan.

(5) Trust shall keep separate book maintaining the name and address of each creditors owning the debentures issued by it, amount of debenture and other required details.

10. **Transfer and transmission of Shares:** (1) Ownership of Share of the Trust may be, subject to this Act, transferred or given in security or mortgage as good as movable asset.

(2) In case any others’ entitlement to share is to be established by the death of any shareholder or by insolvency of assets caused by creditor or by transfer of ownership in share to other pursuant to Sub Section (1) or, by any other means, if such person submits an application to the Trust along with the evidence thereof, transmission of such share shall be given effect in his/her name as prescribed.

(3) Other provisions relating to transfer and transmission of ownership of share shall be as prescribed.

11. **Register book of Shareholder:** (1) Trust shall register each shareholder’s name in a register book in the prescribed format upon setting out the details as prescribed.

(2) In case the share is transferred to anyone or given as security, or transmission of share is to be given effect pursuant to Section 10, the same
shall also be recorded in the register book as referred to in Sub-section (1) and the register shall be made up to date.

12. **Power to take loan and Grant:** Trust may take loan and grant to increase its capital.

Provided that, Trust shall take approval from the Government of Nepal while taking loan from any foreign bank or Organization.

13. **Payment for Share Amount:** (1) Shareholder shall pay the amount called for share in a manner as prescribed.

(2) In case any shareholder fails to pay the amount pursuant to sub-section (1), Trust may recover the amount from the dividend of share by freezing the share remained in the name of such shareholder and the dividend thereof to be distributed, or may forfeit such share as prescribed.

(3) In case share is so forfeited pursuant to Sub-Section (2), Trust may sell or transfer or terminate the share by any other means as prescribed.

14. **Owner in Share and Debenture:** Trust shall consider the owner of share and debenture of the Trust to the person whose name has been registered in its register book.

**Chapter-3**

**Investment Account Scheme and Citizen Unit Scheme**

15. **Operation of Investment Account Scheme:** Trust may constitute and operate Investment Account Scheme in the name of investors to invest in various sectors subject to the condition as prescribed.

16. **Operation of Citizen Unit Scheme:** As a Trustee, Trust may operate citizen Unit Scheme of various nature and types as prescribed with the
purpose to provide expert investment management service to depositors and to distribute higher benefit.

17. **Privilege of Government of Nepal:** (1) Government of Nepal, by publishing a Notification in Nepal Gazette, may order Government Office and corporate body as prescribed in such notification to deposit amount of equivalent percentage as prescribed compulsorily in the Investment Account Scheme for the duration as prescribed under the same notification by deducting from monthly remuneration to be received by the employee and workers working in their Office or body

(2) It shall be the duty of concerned Office or corporate body and employee and workers working with such Office or Body to abide by the Order pursuant to sub-section (1).

18. **Provision for Depositing amount in Investment Account Scheme or Citizen Unit Scheme:** (1) A Nepali Citizen residing inside and outside of the Country or any other foreign investor may deposit the amount as prescribed by the Trust in Investment Account Scheme or Citizen Unit Scheme.

(2) Nepalese residing in a foreign country or any other foreign investor while depositing amount in Investment Account Scheme and Citizen Unit Scheme pursuant to Sub-Section (1) may deposit in convertible foreign currency also.

(3) The Trust shall take prior approval from Government of Nepal and Nepal Rastra Bank before operating Investment Account Scheme or Citizen Unit Scheme with the condition to repatriate the amount of foreign currency to be deposited in said scheme only in the foreign currency.

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4 Amended by the First Amendment.
19. Dividend to be Shared: (1) Rate of dividend to be provided in each Fiscal Year in the amount compulsorily deposited in the Investment Account Scheme pursuant to Section 17 shall be as prescribed by the Government of Nepal by publishing Notice from time to time.

   (2) Payment of amount deposited in Investment Account Scheme pursuant to Section 17 and amount of dividend to be provided in such amount pursuant to Sub Section (1) shall be as prescribed.

   (3) In case the Trust fails to pay the amount pursuant to Sub Section (2) the amount shall be paid by the Government of Nepal.

   (4) The Trust shall, upon deducting such expenses as prescribed from the income generated through the investment of amount accumulated into Investment Account Scheme or Citizen Unit Scheme pursuant to Section 18, the amount as prescribed to be deposited for service charge, risk investment reserve fund, dividend Equalization Fund and capital depreciation of resources of investment, distribute residual amount proportionately to the concerned investors as dividend.

20. Unit Certificate: (1) Trust shall provide Unit Certificate to each Unit Holder in such a format as prescribed.

   (2) Subject to the prevailing law, Unit Certificate may be exchanged or transferred.

   (3) Procedures relating to transfer, transmission or exchange of unit certificate shall be as prescribed.

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5 Amended by the First Amendment.
Chapter-4

General Meeting and Board of Directors

21. **General Meeting:** (1) Preliminary General Meeting shall be held within One year of the establishment of the Trust. Thereafter, Annual General Meeting shall be held each year within Six months of completion of fiscal year.

(2) For holding General Meeting pursuant to Sub Section (1) Shareholders shall be notified before at least Twenty one days of the proposed meeting along with the venue, date and time thereof and such notice shall be published also in the major newspapers of Nepal.

(3) Quorum for General Meeting shall be deemed to have been constituted, if Ten percent of total shareholders are present by in person or by proxy upon making representation of Sixty percent of total share numbers.

(4) In case the Meeting could not hold due to the absence of the number of shareholders as referred to in Sub Section (3), there shall be no bar for holding meeting in case Five shareholders who are qualified to cast vote are present in person at the Meeting called next time by giving at least a Seven days notice and represent Thirty Three percent shares of the total number of shares.

(5) Participation in the Meeting, voting right and other provisions relating to Meeting shall be as prescribed.

22. **Voting Right while Appointing Director:** (1) While casting votes to appoint Director, each shareholder shall have the right to cast vote in the number which comes after multiplying the number of Directors to be appointed by the number of shares the shareholder has owned and the
shareholder so voting may cast all the votes to a single candidate or more than one candidates in the manner he/she prescribes.

(2) Notwithstanding anything contained in Sub -Section (1), in case the Government of Nepal and corporate bodies nominate Directors pursuant to Section 25, shall not be entitled to cast vote in the election to be held as per this Section.

23. **Matters to be Submitted and discussed in the General Meeting:**

(1) Committee shall submit audited Balance Sheet and profit and loss account of last fiscal year in the Annual General Meeting.

(2) The shareholder or shareholders representing at least Five percent of total number of votes, who intend/s to submit any agenda in the General Meeting for discussion and decision may submit an application to the Chairperson before issuance of notice for the General Meeting.

(3) In addition to the agenda submitted pursuant to Sub -Section (1) and (2), General Meeting shall discuss accounts of the trust, Committee Report, Auditor Report, profit to be distributed to shareholders, appointment and remuneration of Director and Auditor.

(4) Notwithstanding anything contained in Sub Sections (1), (2) and (3), Committee shall submit report on details of the transactions that the Trust has done before convening of the meeting in the preliminary General Meeting convened pursuant to sub- section (1) of Section 21.

(5) Other provisions regarding Agenda to be discussed in the General Meeting, Discussion and decision shall be as prescribed.

24. **Special General Meeting:**

(1) Committee may, if it deems necessary, call Special General Meeting.

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6 Amended by the First Amendment.
(2) In the course of auditing of the Trust, the Auditor, if deems necessary for a reason to convene Special General Meeting, may request with the Committee to call such Meeting and Committee shall have to call Meeting accordingly.

(3) Committee shall call Special General Meeting of the Trust if shareholder holding at least Ten percent of total paid up capital of the Trust or at least Twenty Five percent of shareholders of the total number of shareholders request to call Special General Meeting by an application to the Trust.

(4) During the inspection or by any other reason if it deems necessary to call Special General meeting, the Government of Nepal may cause to call such meeting through the Committee.

(5) Notice shall be issued by giving at least Seven days' time while calling Special General Meeting as per this Section.

25. **Formation of Board of Directors:**

(1) There shall be a Board of Directors having at least nine directors in the Trust.

(2) The following Directors shall remain in the Committee pursuant to Sub-section (1):

(a) A person nominated from Nepal Government Director

(b) A person nominated from Nepal Rastra Bank Director

(c) A person nominated from Nepal Stock Exchange Ltd Director

(d) A person nominated or elected from amongst Director

Amended by the First Amendment.
other Financial Institutions

(e) A person elected from amongst the public

(f) Three persons nominated by Government of Nepal
   from amongst the individuals having special knowledge and experience in field of Industry Trade or Capital market or from amongst the investors

(g) Executive Director of the Trust

(3) Government of Nepal shall designate the Chairperson from amongst the Directors nominated or elected pursuant to Sub -Section (2)

(4) Officer staff of the Trust designated by the Committee shall function as a Secretary of the Trust.

(5) Tenure of Directors shall be Five years and they may be re-nominated or elected as the case may be.

(6) Notwithstanding anything contained elsewhere in this Section, Government of Nepal or Concerned Institution may change the Directors nominated pursuant to Sub Section (2) at any time.

(7) In case any post of Director falls vacant before completing the tenure, the post shall be fulfilled for the residual period following the same process which was initially followed to fulfill.

(8) Notwithstanding anything contained elsewhere in this Section, Government of Nepal, by publishing a Notification in the Nepal Gazette,
may change the number of the Directors to be elected from amongst the shareholders, as per the necessity, in case any change has been made in the share capital of the Trust pursuant to Section 5.

26. **Disqualification to be appointed in or hold the post of Director:** (1) Any of the following persons shall not be eligible to be nominated or elected in the post of Director:

   (a) Not attained 21 years of age,

   (b) Insane or mad,

   (c) Insolvent because of being unable to repay the debt of creditor.

   (d) Punished by the Court convicting in the accusation of theft or fraud, or any kind of embezzlement or misuse of the asset remained in his/her responsibility in an unauthorized manner,

   (e) Having any kind of conflict of interest in the tender or contract of the Trust or,

   (f) Serving in the post of Director at any Bank or Financial Institution.

   (g) Individual or Institution serving in the position of member or representative of Securities market.

(2) No person shall hold the post of Director:

   (a) If one is disqualified to be nominated or elected in the post of Director as referred to in Sub Section (1),

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9 Inserted by the First Amendment.
(b) If remains absent for three consecutive meetings of the Committee without a notice with appropriate reasons to the Committee,

(C) If commits any act against the Committee or the decision thereof,

(d) If resignation tendered by him/her is approved,

(e) If the Court decides that he/she committed any dishonest or malafide act or activity in the Trust, or

(f) If commits any offence punishable under this Act.

(3) Notwithstanding anything contained in Sub Section (1) an (2),

(a) Disqualification mentioned in Clauses (a) and (b) of Sub Section (1) shall not be applicable against any person until so proved by Government Doctor.

(b) In case approval of the Government of Nepal received, person mentioned in Clause (e) of Sub Section (1) may be nominated in or hold the position of Director.

(c) The person shall be given an appropriate opportunity to submit evidence for clarification before disqualifying such person to be nominated or elected to or serving in the post of Director.

27. **Remuneration and Allowance of Directors:** (1) Meeting allowance to be received by the Directors for attending in the meeting shall be as prescribed.
(2) If any Director works as a full timer in the Trust, monthly remuneration, daily and traveling allowance for such Director while doing job of the Trust, shall be as prescribed.

28. **Power of Board of Directors:** (1) Subject to this Act or Bye-law framed there under, Committee shall have the duty to manage overall business of the Trust, to exercise powers and to fulfill duties and to operate, direct, supervise and control the general administration of the Trust.

(2) Committee may delegate any or all powers conferred on it to any Director, Sub- Committee, Executive Director or any Officer staff of the Trust.

29. **Meeting of the Committee:** (1) Meeting of the Committee shall be held on the date, venue and time prescribed by the Chairperson.

(2) Meeting of the Committee shall be held Eight times in a year and gap between two meetings shall not be more than Two months.

(3) Notwithstanding anything contained in Sub Section (2), if at least one third Directors, along with the agenda to be discussed, requests in writing, Chairperson shall call the meeting of the Committee within Seven days.

(4) No meeting of the Committee shall be held unless at least more than half of the Directors are present.

(5) Chairperson shall preside over the meeting of the Committee and in his/her absence, Director selected by the Directors from amongst themselves shall chair the meeting of the Committee.

(6) Decision of the majority shall prevail in the meeting of the Committee and the person presiding the meeting may exercise casting vote in case of tie.
(7) Details of the Directors present in the meeting, agenda discussed and decision made thereon shall be recorded in a separate register.

(8) Committee itself may determine other matters relating to the meeting of the Committee.

30. **Liability of Directors:** (1) If the Committee knowingly or by negligent, incurs or causes loss to the Trust, such loss shall be recovered prorata from the asset of each director.

Provided that, the Director who has objected in writing on the act which caused loss or was unaware that such act is likely to be happened shall not be liable to bear such loss.

(2) Except in accordance with the approval of Government of Nepal, no Director shall perform or cause to perform such act to be benefited personally through the Trust.

(3) A Director shall be individually liable to such act or activity which is beyond his/her jurisdiction.

31. **Recognition of the work already completed:** In case any provision of this Act relating to election or nomination of any Director has not been complied with and such information came to know there after, the act and activity performed by such Director before such information coming into notice shall not be void on ground of this reason only.

**Chapter-5**

**Functions, duties and powers of the Trust**

32. **Function and duties of the Trust:** Trust may, subject to this Act, perform the following functions:-
(a) To operate Citizen Unit Scheme of various nature and types as prescribed as a trustee with the purpose to provide more return to the depositors by providing expert investment service.

(b) To invest the deposit collected from voluntary or compulsory Investment Account Scheme run by the Trust in the way to benefit the investors.

(c) To underwrite shares of various corporate, whether singly or jointly with other Bank or Financial Institution, as determined by the Trust.

(d) To provide facility of bridge financing or lend to corporate bodies.

(e) To assume ownership of Securities by investing and re investing in Security of various type.

(f) To provide expert consultation service on regarding financial system, and savings of corporate body and alternate opportunities of investment.

(g) To carry out business as a broker subject to Securities Act, 2063.

(h) To encourage corporate body to issue Securities and provide required services as Primary Issuer and sales manager.

(i) To provide credit to purchase Securities to the investors participated in Investment Account Scheme run by the Trust.

(j) To Participate or assist in the constitution, management and control of corporate body where the Trust has invested.

(k) To invest in bonds issued by the Government of Nepal from the amount collected through Citizen Unit Scheme or Investment Account Scheme or from its own source.

(l) To Provide Term Loan to corporate body.
(m) To constitute subsidiary company as per necessity for the development of capital market.

(m1) To provide consultation service relating to capital market and to conduct training and other works related thereto.

(n) To invest the deposit collected through Unit Scheme from Nepali Citizen residing in foreign country in foreign Securities after taking approval from Nepal Rastra Bank.

(o) To Levi management fee, service fee, commission, brokerage commission and other fees for the service rendered by the Trust.

(p) To carry out banking transaction with foreign banks with the approval of Nepal Rastra Bank.

(q) To Purchase or receive or own or take in rent movable, immovable or any other assets by repaying price at once or in installment or in credit or by any other manner and to sell or exchange the movable or immovable assets remained in its ownership.

(r) To provide approval to work as per the terms and condition of security or commitment provided as a trustee in relation to fulfilling the liability as per contract or agreement of commitment of any corporate body or to perform the work as per the same.

(s) To accept, or provide approval to hold any movable or immovable asset in security or deposit or hypothecation or collateral and accept any agreement or contract or any instruments or documents as per necessity and put conditions for the protection of its interest and for utilization as per the purpose of the facility provided by it.

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10 Inserted by the First Amendment.
(t) To perform other ancillary works to come in the course of fulfilling duties and exercising of powers as per this Act.

**32A. Trust may work as a Debenture Trustee:** (1) Trust may perform function as a trustee relating to the debenture issued or to be issued by a corporate body.

(2) While performing function of a Trustee pursuant to Sub -Section (1) Trust shall meet the procedure as prescribed.

**32B. Trust may work as a Custodian:** (1) Trust may, on behalf of foreign or domestic investors, perform the functions of taking custody, buying, selling or causing to buy or sell of securities or transferring, registering, de-registering of purchased or sold securities and collecting interest or dividend.

(2) While performing the function of a Custodian pursuant to Sub-section (1), Trust shall meet the procedure as prescribed.

**33. Power to put Conditions:** (1) Trust, while doing business with, or providing loan to any corporate body, may cause to execute document upon putting such condition as per necessity for the protection of its interest and for the appropriate utilization of the loan or facility provided by it.

(2) Notwithstanding anything contained in the prevailing law, while causing to execute documents pursuant to Sub Section (1), Trust may fix any pay back date, prescribe condition to pay back the principal and interest of the loan utilized by the borrowing corporate body from the asset accepted as security and from the Guarantor in case the term and condition fixed by the Trust violated.

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11 Inserted by the First Amendment.
12 Inserted by the First Amendment.
(3) Trust, while providing loan to any corporate body, may put condition of providing loan gradually in installment in the form of cash, cheque or letter of commitment or letter of credit by causing to execute the documents for the entire loan amount calculating interest from the date when the corporate body receives the installment.

(4) While putting conditions pursuant to Sub Section (1), Trust may even put condition of appointing Director in the Board of Directors of any corporate body and if such condition is effected, notwithstanding anything contained in this Act or prevailing law, such condition shall prevail.

34. **Special Rebate for the Trust:** (1) Stamp duty or registration fee shall not be levied to the Trust for the transactions of accepting collateral by causing to execute document from borrowing corporate body or Guarantor or, for transferring the property accepted as collateral in the name of the Trust or in the course of purchasing or selling immovable property by the Trust.

(2) In case all the amounts could not be recovered from the collateral accepted through the document, the Trust, may recover such overdue from the other assets of the borrowing corporate body in accordance with the prevailing law.

(3) Power of Trust over the collateral accepted through the document shall not be terminated only for the reason that the Trust did not initiate any proceeding within the period mentioned in the said document to seize the collateral, or recover the loan.

(4) In a condition of default in installment, the power of Trust to receive interest and additional fee, or to sell collateral shall not be affected only for a reason that collateral was seized, possessed, given in rent or
lease or provided to else in the condition to distribute the profit as per the condition mentioned in the collateral deed.

35. **Power of the Trust in Case of breach of Agreement:** (1) In case any corporate body breaches the terms and condition of document executed for the Trust by not repaying, as per the agreement, any debt, its interest and amount taken as advance or in case the Committee considers that there is reasonable ground to take control over the operation of financial transaction of such body, despite the time limitation to clear the loan not being expired, Trust may recover its amount by controlling the management or financial transaction of borrowing corporate body or seize, possess, rent or lease the collateral accepted in consideration of the loan or other assets of such body or sell the said property by auction through open bids or by sealed bids or by negotiation.

(2) In case the collateral provided by the borrowing corporate body pursuant to Section (1) or other asset of the said body sold through auction by open bids or calling sealed bids upon taking possession, after recovering the amount by the Trust, it shall return back the residual amount to the concerned corporate body.

(3) In case the asset of the borrowing corporate body sold pursuant to Section (1) through auction by open bids or calling sealed bids, or the said asset could not be sold by auction despite the efforts of time and again, or the trust decided to take the ownership of the asset by itself as it occurred if sold in the received value that is not being in the interest of the Trust; the Office authorized for registration and to give effect transmission shall register and give to effect transmission of such asset in the name of the person taking through auction or of the Trust as the case may be.

36. **Power to Call Back the payment of loan Before Expiring the pay back date:** Notwithstanding anything contained in agreement or contract or
other document, the Trust, in the following situation, before the expiry of the pay back date, may call back payment of the amount it has to receive from the borrowing corporate body by providing a notice in writing:

(a) In case the Committee considers that the borrowing corporate body has provided false or ambiguous particulars about any matter in the application of loan.

(b) In case the borrowing corporate body fails to perform the terms and condition mentioned in the debt agreement done with the Trust.

(c) In case the Committee considers that the borrowing corporate body is unable to repay the debt or advance remained on it.

Chapter-6

Account, Reserve and Dividend of Trust

37. **Account of Trust:** (1) Trust shall duly maintain register of its account in Nepali. Trust, for its convenience, may keep the account in English language also along with the Nepali.

Provided that, the account maintained in Nepali shall be considered authorized, if two accounts are so maintained.

(2) In the account to be maintained pursuant to Section (1) details of investment made by the Trust, given and taken debt, financial transaction, each income and expense, buy and sale of goods and asset and liability of Trust shall be mentioned in such a manner that the actual picture of the act and activities of Trust could be seen clearly.

(3) Notwithstanding anything contained in Section (2), separate account shall be maintained for the Investment Account Scheme and Citizen Unit Scheme operated by Trust.
(4) Except otherwise approved by the Government of Nepal, account pursuant to this Section shall not be placed anywhere other than the Office of the Trust and in case a Director intends to inspect the account, may inspect it at any time.

(5) Other cash reserve of the Trust except the amount prescribed by the Committee shall be kept only at any Commercial Bank where such a Commercial Bank is available.

(6) Trust shall keep update records by collecting breakdown of accounts from its Branches in each Three months.

38. **Balance Sheet and Profit and Loss Account:** Trust, within Three months of the end of the fiscal year, shall submit its balance sheet and profit and loss account upon signing it by Executive Director, Chief Accountant and at least two Directors of the Trust, to Government of Nepal.

39. **Audit:** Account of the Trust shall be audited by Auditor General or the Auditor designated by him/her.

40. **Reserve fund:** Trust shall establish a Reserve fund by separating at least Twenty percent amount from the net profit each year earned from its capital and service.

41. **Distribution of Dividend:** Dividend may be distributed to shareholders only after compensating the loss, if any of preliminary or of previous year and transferring amount into reserve fund pursuant to Section 40 from the net profit earned by Trust.

**Chapter-7**

**Miscellaneous**

42. **Provision of Staff:** (1) Government of Nepal may appoint an Executive Director to conduct day to day functions of the Trust.
(2) Tenure of Executive Director shall be Five years. Government of Nepal may extend tenure of the Executive Director again for Five years.

(3) Committee may appoint Advisor, Officer and Staffs required to conduct the functions of the Trust smoothly.

(4) Remuneration, facility and other terms of service of Executive Director, Advisor, Officer and Staffs appointed pursuant to Sub-Sections (1) and (2) shall be as prescribed.

43. **Technical Sub-Committee:** (1) Committee may, as per the requirement, constitute various technical sub-committees to smoothly conduct the function of Trust, for better management of Citizen Unit Scheme and Investment Account Scheme.

(2) Functions, duties and powers of the Sub-Committees constituted pursuant to Sub Section (1) shall be as prescribed.

43A. **Trust may designate Trustee:** (1) Trust may designate Committee, Sub-Committee or member of such Committee, Sub-Committee or any Officer staff of Trust to function as a Trustee, upon giving authority to exercise the powers and responsibility conferred on it, in order to manage for investment of, as per the condition of related Scheme, the capital fund accumulated from depositors and investors pursuant to this Act or to discharge obligation as per agreement done with any other corporate body in this regard.

(2) Functions and duties of the Trustee designated by the Trust pursuant to Sub Section (1) shall be as prescribed.

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13 Inserted by the First Amendment.
44. **Oath to be Taken:** Each Director, Executive Director, Advisor, member of Technical Sub-Committee and Officer and Staffs, before resuming their Office, shall take oath as prescribed.

45. **Power of the Government of Nepal to withhold Committee:** (1) In case the Committee fails to discharge duties to be performed by it pursuant to this Act, Government of Nepal, by publishing a Notification in Nepal Gazette, may withhold the Committee for a period of One year in maximum.

   (2) In case the Committee is withheld pursuant to Sub Section (1), Government of Nepal may designate any person, committee of persons or Institution to perform all the functions and business of the to be performed pursuant to this Act.

   (3) All the functions and business performed under this Act and Bye-law made there under by Person, Persons’ Committee or Institution designated to perform the functions and business of Committee pursuant to Sub-section (2) shall be equally valid as if done by the Committee constituted pursuant to this Act.

46. **Liaison with Government of Nepal:** Trust shall liaise with Government of Nepal through the Ministry of Finance.

47. **Annual Report:** Trust shall, within the period of Nine months from the end of Fiscal Year, submit Auditor’s report and report relating to the functions and business of the Trust to the Government of Nepal.

48. **Government of Nepal may issue Order or Direction:** Government of Nepal may, keeping in view the monetary and capital market situation of the country and interest of investors, issue required Order or Direction and it shall be the duty of the Trust to abide by such Order or Direction.

49. **Nepal Rastra Bank may issue Order or Direction:** Nepal Rastra Bank, with the purpose to increase the effectiveness of the Trust and keeping in
view the monetary situation of the Country, may issue required Order or Direction from time to time. It shall be the duty of the Trust to abide by such Order or Direction.

50. **Inspection and inquiry:** (1) Government of Nepal may appoint Inspector to inspect the functions and business of the Trust.

(2) Inspector appointed pursuant to Sub Section (1) may inspect all accounts and documents remained at the Trust.

(3) Inspector appointed under this Section shall submit Inspection Report to the Government of Nepal.

51.  

52. **Privilege of the Trust:** Trust may prescribe terms and conditions on Savings Fund, Investment Management and other services under Investment, Citizen Unit Scheme and Investment Account Scheme provided by it under this Act, and fix the commission, service fee and charges to be levied there under.

53. **Security of Debt Investment of Trust:** Notwithstanding anything contained in the prevailing law, in case any corporate body in which the Trust has made investment dissolved, first claim over the asset of such body shall be of the Trust.

54. **Secrecy to be Maintained:** (1) Notwithstanding anything contained in the prevailing law, particulars of relationship between Trust and Customers and business or accounts of Trust shall not be provided to others except the concerned.

(2) Notwithstanding anything contained in Sub Section (1), it shall not be deemed to have been violated the secrecy of business or accounts of the Trust if provided to Court in the course of any case or other legal

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14 Repealed by the Income Tax Act, 2058.
proceedings, to Auditor during audit or to the Inspector appointed for the inspection during inspection.

(3) While inspecting business or accounts of Trust, Court, Auditor or any other shall not violate secrecy of business or accounts of the Trust.

55. **Dissolution of Trust may happen:** The Trust may be dissolved in the following situation:

(a) In case Nepal Government considers that the Trust is incapable of repaying the amount to be refunded to the Unit holders under Citizen Unit Scheme and investors under Investor Account Scheme, of repaying other debt to be repaid or in performing functions as per this Act.

(b) In case Government of Nepal decides to dissolve the Trust on any reasonable ground.

56. **Appointment of Liquidator:** (1) Government of Nepal shall appoint Liquidator in case the Trust is to be dissolved pursuant to Section 55.

(2) The duties and powers of the Liquidator appointed pursuant to Sub-Section (1) shall be as good as the Government Liquidator pursuant to Company Act, 2063

(3) The Liquidator shall receive remuneration or allowance from the Trust as prescribed by the Government of Nepal.

57. **Order of Priority of Paying liability:** Payment of liability shall be made in the following priority while liquidating the Trust.

(a) Expense incurred during Liquidation,

(b) Remuneration and other residual amount to be received by staff or workers of the Trust,

(c) Amount of Investment Account Scheme, Citizen Unit Scheme and Group Savings Project,
(d) Debt amount, and
(e) Amount to be repaid to Government of Nepal.

58. **Penalty:** (1) 1) Anyone, knowingly, if mentions or causes to mention false statement in any particulars or certificate or in any receipt or any other document of collateral provided to the Trust for the purpose of the Trust's investment or loan or other facility provided by the Trust pursuant to this Act and if the Trust suffers any loss, such person shall be liable to compensate such loss and be fined up to Five Thousand Rupees or be imprisoned not exceeding One year or the both.

(2) In case anyone violates confidentiality pursuant to Section 54, shall be liable to pay a fine up to Three Thousand Rupees or be imprisoned up to Three months or the both.

(3) In case anyone hinders or obstructs the Inspector appointed pursuant to Section 50 while doing his/her functions of inspection or without any appropriate reason does not provide document for inquiry, such person shall be subject to a fine up to Two Thousand Rupees or imprisonment up to Two months or the both.

(4) In case anyone publishes name of the Trust in any prospectus or advertisement without obtaining written approval of the Trust, shall be subject to a fine up to One Thousand Rupees or imprisonment up to One month or the both.

59. **Power to make Bye-law:** Trust may, subject to this Act, frame the required Bye-laws to manage its internal act and activities upon obtaining approval from the Government of Nepal.