

The Unit Trust of India Act, 1963

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Preamble

[ACT NO.52 OF 1963]

[30th December, 1963]

An Act to provide for the establishment of a Corporation with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities.

BE it enacted by Parliament in the Fourteenth Year of the Republic of India as follows:-

Section 1. Short title, extent and commencement

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An Act to provide for the establishment of a Corporation with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities.

BE it enacted by Parliament in the Fourteenth Year of the Republic of India as follows:-

(1) This act may be called the Unit Trust of India Act, 1963.

(2) It extends to the whole of India.

(3) It shall come into force on such date¹ as the Central Government may, by notification in the Official Gazette, appoint.

1. 1-2-1964; vide Notification No.G.S.R.172, dated 31-1-1964, Gazette of India, Extraordinary, Pt.II.Sec.3(i), p.47.

Section 2. Definitions

In this Act, unless the context otherwise requires,-

(a) “Board” means the Board of trustees constituted under section 10 or section 41;

- (b) “Contributing institution” means an institution which is, for the time being, a contributory to the initial capital of the Trust under section 4;
- (c) “Contribution certificate” means a certificate issued under section 6;
- (d) “Initial capital” means the capital of the Trust referred to in section 4;
- (e) “Life Insurance Corporation” means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956.);
- (f) “Prescribed” means prescribed by regulations made under this Act;
- (g) “Reserve Bank” means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934.);
- (h) “Scheduled bank” means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934.);
- (i) “Securities” means shares, debentures, bonds and other stock of any company or other body corporate, whether incorporated in India or outside, and securities issued by any local authority in India, or by the Government of, or a local authority in, any such country outside India as may be approved by the Reserve Bank and includes Government security as defined in section 2 of the Public Debt Act, 1944, (18 of 1944.) but does not include mortgages on immovable property;
- (j) “State Bank” means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955.);
- (k) “Subsidiary bank” has the same meaning as in section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959.);
- (l) “Trust” means the Unit Trust of India established under section 3;
- (m) “Trustee” means a trustee appointed, nominated or elected under section 10 or section 41;
- (n) “Unit” means a unit issued under the unit scheme;
- (o) ” Unit capital” means the aggregate of the face value of the units sold under the unit scheme and outstanding for the time being;
- (p) “Unit certificate” means a certificate issued to the purchaser of a unit under the unit scheme;
- (q) “Unit holder” means a person for the time being recognised by the Trust as the holder of a unit certificate under the unit scheme; (r) “Unit scheme” means a scheme made under section 21.

Section 3. Establishment and incorporation of Unit Trust of India

(1) The Central Government shall, by notification in the Official Gazette, establish a Corporation by the name of the Unit Trust of India which shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold or dispose of property and to contract, and may, by the said name, sue or be sued.

(2) The head office of the Trust shall be at Bombay or at such other place as the Reserve Bank may, by notification in the Official Gazette, specify.

(3) The Trust may establish local offices, branches or agencies at any places in or outside India.

Section 4. Initial capital of Trust

(1) Subject to the provisions of this Act, the initial capital of the Trust shall be five crores of rupees divided in the form of certificates each of which shall be of such face value as may be prescribed and contributed in the manner hereinafter provided.

(2) Before such date as the Central Government may, by notification in the Official Gazette, specify in this behalf-

(a) The Reserve Bank shall contribute two and a half crores or rupees;

(b) The Life Insurance Corporation shall contribute seventy-five lakhs of rupees;

(c) The State Bank and the subsidiary banks shall contribute seventy-five lakhs of rupees, the amount which the State Bank and each subsidiary bank shall contribute being determined by the State Bank;

(d) Other institutions, namely, scheduled banks other than those referred to in clause (c) and such classes of financial institutions as may be notified by the Central Government in the Official Gazette in this behalf may contribute one crore of rupees.

(3) If the aggregate of the contributions made by the institutions referred to in clause (d) of sub-section (2) exceeds one crore of rupees, the Board shall refund the excess amount to such institution, so however, that the amount to be refunded to each such institution bears, as far as possible, the same proportion to the contribution made by it as the excess amount bears to the aggregate of the contributions made by such institutions.

(4) If the aggregate of the contributions made by the institutions referred to in clause (d) of sub-section (2) is less than one crore of rupees, the Reserve Bank shall contribute the deficiency within thirty days of the date specified under sub-section (2):

Provided that the Reserve Bank may, thereafter, transfer the whole or any part of its contribution under this sub-section to any institution referred to in clause (d) of sub-section (2).

(5) If at any time the Board is of opinion that the amount of the initial capital is in excess of the requirements of the Trust, it may refund the whole or any part of such capital to the contributing institutions:

Provided that where only a part is so refunded the amount to be refunded to each such institution shall bear, as far as possible, the same proportion to the contribution made by it as such part bears to the initial capital:

Provided further that for the purpose of any refund, the value of the initial capital shall be determined by the Board on such basis as the Central Government may specify in this behalf, regard being had to the real or exchangeable value thereof.

Section 5. Maintenance of register of contributories

The Board shall maintain in such manner as may be prescribed a register containing the names of the contributing institutions, the amount contributed by each such institution and such other particulars as may be prescribed.

Section 6. Issue of contribution certificates

(1) As soon as may be after the contribution has been made by any contributing institution under section 4, the Board shall issue to such contributing institution a contribution certificate or contribution certificates in such form and containing such particulars as may be prescribed.

(2) Where the whole or any part of the contribution has been refunded to any institution under sub-section (5) of section 4, that institution shall, as soon as may be after the refund has been made, forward the contribution certificate or certificates to the Board for cancellation or amendment, as the case may be, and the Board shall cancel or amend the certificate or certificates accordingly.

Section 7. Right of transfer of contribution certificates in certain cases

(1) Any contributing institution referred to in clause (d) of sub-section (2) of section 4 may, in the prescribed manner, transfer a contribution certificate to any other institution referred to in that clause and thereupon such other institution shall be deemed to be a contributing institution for the purposes of this Act.

(2) Save as provided in sub-section (1), a contribution certificate shall not be transferred.

Section 8. Rights and liabilities of holders of contribution certificates

Every holder of a contribution certificate shall have all the rights and be subject to all the liabilities conferred or imposed on a contributing institution by or under this Act.

Section 9. Management

(1) The general superintendence, direction and management of the affairs and business of the Trust shall vest in a Board of trustees which may exercise all powers and do all acts and things which may be exercised or done by the Trust.

(2) The Board shall, in discharging its functions under this Act, act on business principles, regard being had to the interest of the unit holders.

Section 10. Board of trustees

The Board of trustees shall consist of the following, namely.

- (a) The Chairman to be appointed by the Reserve Bank;
- (b) Four trustees to be nominated by the Reserve bank, of whom not less than three shall be persons having special knowledge of, or experience in, commerce, industry, banking, finance or investment;
- (c) One trustee to be nominated by the Life Insurance Corporation;
- (d) One trustee to be nominated by the State Bank;
- (e) Two trustees to be elected in the prescribed manner by the contributing institutions referred to in clause (d) of sub-section (2) of section 4; and
- (f) An executive trustee to be appointed by the Reserve Bank:

Provided that if the appointment of the Chairman is whole-time, it shall not be necessary to appoint an executive trustee:

Provided further that on the first constitution of the Board, the trustees referred to in clause (e) shall be nominated by the Reserve Bank and shall hold office for a period of twelve months from the date of their nomination or until two trustees are elected under the said clause, whichever may be earlier.

Section 11. Term of office of trustees

(1) A trustee nominated under clause (b) of section 10, if he is an officer of the Reserve Bank, or a trustee nominated under clause (c) or clause (d) of that section shall hold office during the pleasure of the authority nominating him.

(2) A trustee nominated under clause (b) of section 10, if he is not an officer of the Reserve bank, or a trustee elected under clause (e) of that section shall hold office for four years and thereafter until his successor is duly nominated or elected.

(3) A casual vacancy in the office of a trustee referred to in sub-section (2) or in the office of a trustee nominated under the second proviso to section 0 shall be filled by election or nomination, as the case may be, and the trustee so elected or nominated shall hold office for the unexpired portion of the term of his predecessor:

Provided that no such vacancy occurring within three months of the date of the expiry of the normal term of office of such trustee need be filled under this Sub-section.

(4) A trustee nominated under the second proviso to section 10 or a trustee nominated in his place under sub-section (3) of this section shall be deemed to be a trustee elected under clause (e) of section 10.

(5) A person who holds, or who has held, office as a trustee shall, subject to the other provisions of this Act, be eligible for re-nomination or re-election, as the case may be.

Section 12. Disqualification for being a trustee

A person shall not be capable of being nominated or elected as a trustee if—

(a) He is, except in the case of the Chairman or the executive trustee, an officer or other employee of the Trust; or

(b) He is, or at any time has been, adjudicated as insolvent or has suspended payment of his debts or has compounded with his creditors; or

(c) He is of unsound mind and stands so declared by a competent court; or

(d) He has been convicted of an offence which, in the opinion of the Reserve Bank, involves moral turpitude.

Section 13. Vacation and resignation of office of trustee

(1) If a trustee—

(a) Becomes subject to any of the disqualifications mentioned in section 12; or

(b) Is absent without leave of the Board from more than three consecutive meetings thereof; or

(c) Being a trustee elected or deemed to be elected under clause (e) of section 10 becomes an officer or other employee of Government or of the Reserve Bank, State Bank, a subsidiary bank or the Trust,

His office shall thereupon become vacant.

(2) A trustee nominated under clause (b) of section 10 who is not an officer of the Reserve Bank or a trustee elected or deemed to be elected under clause (e) of that section may be letter addressed to the Board resign his office and on such resignation being accepted by the Board shall be deemed to have vacated his office.

Section 14. Chairman and executive trustee

(1) The appointment of a Chairman or of an executive trustee may be either whole-time or part-time:

Provided that if the appointment of the Chairman is part-time, the appointment of the executive trustee shall be whole-time.

(2) The Chairman or the executive trustee shall-

(a) Hold office for such term not exceeding five years as the Reserve Bank may specify;

(b) Receive such salary or allowances or both from the Trust and be governed by such terms and conditions of service as the Reserve Bank may determine; and

(c) Perform such functions as the Board may entrust or delegate to him.

Section 15. Casual vacancy in office of Chairman or executive trustee

If the Chairman or the executive trustee is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise, in circumstances not involving the vacation of his appointment, the Reserve Bank may nominate another person to act in his place until the date on which the Chairman or the executive trustee, as the case may be, resumes his duties.

Section 16. Fees and allowances of certain trustees

Trustees, other than the Chairman and the executive trustee, shall be paid such fees and allowances for attending the meetings of the Board or of any of its committees and for attending to any other work of the Trust, as may be prescribed:

Provided that no fees shall be payable to a trustee who is an officer of Government of any corporation established by any law for the time being in force.

Section 17. Meetings of Board

(1) The Board shall meet not less than six times a year and at least once every two months and shall observe such rules of procedure in regard to the transaction of business at its meeting as may be prescribed.

(2) The Chairman, or, if for any reason he is unable to attend any meeting of the Board, any other trustee nominated by him in this behalf or, in the even of such nominated trustee also being unable to attend the meeting or no such nomination having been made by the Chairman, any other trustee elected by the trustees present at the meeting from among themselves, shall preside at the meeting.

(3) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the trustees present and voting, and, in the event of equality of votes, the Chairman or, in his absence, the person presiding, shall have a second or casting vote.

Section 18. Executive Committee and other committees

- (1) There shall be an Executive Committee which shall consist of—
- (a) The Chairman of the Board,
 - (b) Where an executive trustee has been appointed by the Reserve Bank, such executive trustee, and
 - (c) Two other trustees nominated in this behalf by the Reserve Bank.
- (2) The Chairman of the Board shall be the Chairman of the Executive Committee.
- (3) Subject to such general or special directions as the Board may, from time to time, give the Executive Committee shall be competent to deal with any matter within the competence of the Board.
- (4) The Board may constitute such other committees whether consisting wholly of trustees or wholly of other persons or partly of trustees and partly of other persons as it thinks fit and for such purpose at it may decide.
- (5) The Executive Committee or any other committee constituted under this section shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meeting as may be prescribed.
- (6) The members of a committee (other than the trustees) shall be paid such fees and allowances for attending its meetings and for attending to any other work of the Trust, as may be prescribed.

Provided that no fees shall be payable to a member who is an officer of Government or of any corporation established by any law for the time being in force.

Section 19. Business of Trust

- (1) The Trust may carry on and transact any of the following kinds of business, namely:—
- (a) Selling and purchasing units;
 - (b) Investing in, acquiring, holding or disposing of, securities and exercising and enforcing all powers and rights incidental thereto;
 - (c) Keeping money on deposit with scheduled banks or with such other institutions as may be prescribed;
 - (d) Generally, doing all such matters and things as may be incidental to or consequential upon the discharge of its functions under this Act.
- (2) The Trust shall not take on lease, purchase or otherwise acquire except for its own use any immovable property or any interest therein.

Section 20. Borrowing powers

- (1) The Trust may borrow from any authority or person, not being Government or the Reserve Bank, against such security and on such terms and conditions as may be agreed upon.
- (2) The Trust may borrow money from the Reserve Bank repayable on demand or on the expiry of a fixed period not exceeding ninety days from the date on which the money is so borrowed against stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India.
- (3) If the Board is of opinion that a situation has arisen in which it is necessary or expedient for the Trust to borrow money from the Reserve Bank against securities other than those mentioned in sub-section (2), the Trust may borrow money from that bank repayable on demand or within a period not exceeding eighteen months from the date on which the money is so borrowed against its own bonds which the Trust may issue with the approval of the Central Government.
- (4) The bonds issued by the Trust under sub-section (3) shall be guaranteed by the Central Government as to the repayment of principal and the payment of interest at such rate as may be fixed by the Central Government at the time the bonds are issued.

Section 21. Unit scheme

- (1) For the purpose of providing facilities for participation in the income, profits and gains arising out of the acquisition, holding, management or disposal of securities by the Trust, the Board shall make a unit scheme.
- (2) Subject to the provisions of this Act, and the regulations made under section 43, a scheme made under sub-section (1) may provide for—
 - (a) The issue of units and the face value of each unit, which shall not be less than ten rupees or more than one hundred rupees;
 - (b) The form and manner in which an application may be made for the purchase of a unit from the Trust;
 - (c) The manner in which payment may be made for purchasing a unit from the Trust;
 - (d) The issue of unit certificates and the form and manner in which such certificates may be issued;
 - (e) The issue of duplicate of any unit certificate in the event of loss or destruction of the original and the fee on the payment of which such duplicate may be issued;
 - (f) The procedure for determining the value at which the units may be sold or purchased, from time to time, by the Trust;
 - (g) The recognition of persons as unit holders;
 - (h) The persons to whom, the time at which and the manner in which any payments in respect of a unit shall be made by the Trust;

- (j) The conditions, if any, subject to which a unit holder may transfer the unit;
 - (k) Any other matter which the Trust may consider to be necessary or proper for the effective implementation of the scheme.
- (3) The Board may, from time to time, add to or otherwise amend the scheme made under sub-section(1)
- (4) The scheme made under sub-section(1) and every amendment thereof under sub-section(3) shall be notified in the Official Gazette.

Section 22. Allocation of income, interest and other expenses

- (1) The total gross income of the Trust in any year shall be allocated to the initial capital and the unit capital in the same proportion as the former bears to the latter at the end of that year.
- (2) The interest payable for any year for any borrowings made by the Trust and the total amount of other expenses incurred by the Trust in that year shall be allocated and charged to the initial capital and the unit capital in the same proportion as is referred to in sub-section(1):

Provided that if the amount of expenses other than interest allocated to the unit capital is more than five per cent of the gross income allocated to the unit capital in that year, only an amount equal to such five per cent shall be charged to the unit capital and the rest of the total amount of expenses other than interest shall be charged to the initial capital.

Section 23. Distribution of income

- (1) The gross income allocated to the initial capital in any year reduced by the interest and the amount of other expenses charged for that year to the initial capital may be distributed in the prescribed manner among the contributing institutions in proportion to their contributions to the initial capital.
- (2) The gross income allocated to the unit capital in any year reduced by the interest and the amount of other expenses charged for that year to the unit capital may, but not less than ninety per cent. of the gross income so reduced shall, be distributed to the unit holders in respect of that year.

Section 24. Distribution of income after refund of initial capital

Notwithstanding anything contained in section 22 or section 23, where the whole of the initial capital has been refunded to the contributing institutions, the gross income in any year reduced by the interest payable for that year for any borrowings made by the Trust and the total amount of other expenses incurred by the Trust in that year may, but not less than ninety per cent of the gross income so reduced shall, be distributed to the unit holders in respect of that year.

Section 25. Definition of year

In this Chapter “year” means the period in respect of which the books and accounts of the Trust are balanced and closed under sub-section(2) of section 26.

Section 26. Preparation of balance-sheet, etc., of Trust

(1) The balance-sheet and accounts of the Trust shall be prepared and maintained in such form and manner as may be prescribed.

(2) The Board shall cause the books and accounts of the Trust to be balanced and closed each year as on such date as may be prescribed

Section 27. Audit

(1) The affairs of the Trust shall be audited by an auditor duly qualified to act as an auditor under sub-section(1) of section 226 of the Companies Act, 1956, (1 of 1956) who shall be appointed by the Trust and shall receive such remuneration as the Trust may fix.

(2) The auditor shall be supplied with a copy of the annual balance-sheet of the Trust and it shall be his duty to examine it together with the accounts and vouchers relating thereto and he shall have a list delivered to him of all books kept by the Trust and shall at all reasonable times have access to the books, accounts, vouchers and other documents of the Trust.

(3) The auditor may, in relation to such accounts, examine any trustee or any officer or other employee of the Trust and shall be entitled to require from the Board or officers or other employees of the Trust such information and explanation as he may think necessary for the performances of his duties.

(4) The auditor shall make a report to the Trust upon the annual balance-sheet and accounts examined by him and in every such report he shall state whether in his opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of affairs of the Trust and in case he had called for any information or explanation from the Board or any officer or other employee of the Trust, whether it has been given and whether it is satisfactory.

Section 28. Publication of annual accounts and reports

The Trust shall furnish to each of the contributing institutions within four months from the date on which its accounts are balanced and closed in respect of any year a copy of the balance-sheet and accounts together with a copy of the auditor’s report and shall publish the same in the Official Gazette.

Section 29. Furnishing of information to Reserve Bank

The Trust shall furnish, from time to time, to the Reserve Bank such information as the Reserve Bank may require.

Section 30. Power of Reserve Bank to give directions

In the discharge of its functions under this Act, the Trust shall be guided by such directions in matters of policy involving public interest as the Reserve Bank may give to it in writing, and if any question arises whether the direction relates to a matter of policy involving public interest, the decision of the Reserve Bank thereon shall be final.

Section 31. Staff of Trust

(1) The Trust may appoint such number of officers and other employees as it considers necessary or desirable for the efficient performances of its functions and determine the terms and conditions of their appointment and service.

(2) Without prejudice to the provisions of sub-section (1), it shall be lawful for the Trust to utilise, and for the Reserve Bank to make available, the services of such staff of the Reserve Bank on such terms and conditions as may be agreed upon between the Trust and the Reserve Ba

Section 32. Income-tax and other taxes

(1) Notwithstanding anything contained in the income-tax Act, 1961, (43 of 1961) the Super Profits Tax Act, 1963, (14 of 1963) or in any other enactment for the time being in force relating to income-tax, super-tax or super profits tax, or any other tax on income, profits or gains—

(a) The Trust shall not be liable to pay income-tax, super-tax, super profits tax or any other tax in respect of any income, profits or gains derived by it from any source;

(b) Where the income received by a unit holder, being an individual, from the Trust in respect of units does not exceeds one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees, shall be excluded in computing the total income of the unit holder for purposes of income-tax and in the case of any such unit holder who would not be liable to super-tax but for the inclusion of such income in his total income, also for purposes of super-tax; and

(c) Where a contributing institution is liable to be assessed to super profits tax under the Super Profits Tax Act, 1963, (14 of 1963) in respect of its own income, profits or gains and receives any sum from the Trust under this Act in respect of its contribution to the initial capital, such sum as reduced by the amount of any income-tax and super-tax payable in respect thereof shall be excluded from the total income of the said institution in computing its chargeable profits for the purposes of super profits tax.

(2) Notwithstanding anything contained in section 193 or section 194 of the Income-tax Act, 1961(43 of 1961)—

(a) No deduction of income-tax or super-tax shall be made on any interest or dividend payable to the Trust in respect of any securities or shares owned by it or in which it has full beneficial interest; and

(b) No deduction of income-tax shall be made by the Trust from the income distributed by it to a unit holder being an individual.

(3) Subject to the foregoing sub-sections, for the purposes of the Income-tax Act, 1961, (43 of 1961)—

(a) Any distribution of income received by a unit holder from the Trust shall be deemed to be his income by way of dividends; and

(b) The Trust shall be deemed to be a company.

Section 33. Act 18 of 1891 to apply in relation to Trust

The Bankers' Books Evidence Act, 1891 shall apply in relation to the Trust as if it were a bank as defined in section 2 of the said Act.

Section 34. Declaration of fidelity and secrecy

Every trustees, auditor, officer or other employee of the Trust or any employee of the Reserve Bank whose services are utilised by the Trust under section 31 shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule to this Act.

Section 35. Defects in appointments not to invalidate acts, etc

(1) No act or proceeding of the Board or of any committee of the Trust shall be questioned on the ground merely of the existence of any vacancy in, or defect in the constitution of, the Board or committee.

(2) No act done by any person acting in good faith as a trustee shall be deemed to be invalid merely on the ground that he was disqualified to be a trustee or that there was any other defect in his appointment.

Section 36. Indemnity of trustees

(1) Every trustee shall be indemnified by the Trust against all losses and expenses incurred by him in, or in relation to, the discharge of his duties except such as are caused by his own wilful act or default.

(2) A trustee of the Board shall not be responsible for any other trustee, or for any officer or other employee of the Trust, or for any loss or expenses resulting to the Trust, from the insufficiency or deficiency of value of or title to any property or security acquired or taken on behalf of the Trust or the insolvency or wrongful act of any debtor or any person under obligation to the Trust or anything done in good faith in the execution of the duties of his office or in relation thereto.

Section 37. Protection of action taken under this Act

No suit or other legal proceeding shall lie against the Trust or the Reserve Bank or any trustee or any officer employee of the Trust or the Reserve Bank or any other person authorised by the Trust to discharge any functions under this Act for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act.

Section 38. Delegation of powers

The Board may, by general or special order, delegate to any officer of the Trust, subject to such conditions and limitations, if any, as may be specified in the order, such of its powers and duties under this Act as it may deem necessary.

Section 39. No trust to be taken notice of and protection from attachment

- (1) No notice of a trust, express, implied or constructive, shall be receivable by the Trust.
- (2) The amount standing to the credit of a contributing institution shall not be liable to attachment under any decree or order of any court in respect of any debt or liability incurred by the contributing institution.

Section 40. Repayment of contribution in case of winding up of contributing institution

- (1) In the event of a contributing institution referred to in clause(d) of sub-section(2) of section 4 being wound up, the Trust shall, on a demand in that behalf made by the authority in charge of the winding up, pay to such authority an amount equivalent to the value of the contribution to the initial capital made by that institution.
- (2) The value of the contribution shall be determined by the Board on such basis as the Central Government may specify, regard being had to the real or exchangeable value of such contribution.

Section 41. Power of Central Government to reconstitute Board

- (1) Notwithstanding anything contained in section 10 or section 11, where the whole of the initial capital has been refunded to the contributing institutions, the Central Government may, after consultation with the Reserve Bank, by order, provide for the reconstitution of the Board.
- (2) An order made under sub-section (1) may provide for all or any of the following matters, namely:–
 - (a) The number of trustees that will constitute the Board;
 - (b) The manner in which they shall be chosen;
 - (c) Their terms of office;
 - (d) Filling of casual vacancies;
 - (e) Such incidental, consequential and supplementary matters as may be necessary to give effect to the order including the reconstitution of the executive committee or other committees.
- (3) Every order made under this section shall be published in the Official Gazette and a copy thereof shall be laid before each House of Parliament as soon as may be after it is made.

Section 42. Liquidation of trust

- (1) The Trust shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.
- (2) In making such order, the Central Government shall, if the initial capital has not been wholly refunded, direct, among other things, that—
 - (i) The value of the net assets of the Trust after paying off all its liabilities, other than those in respect of the initial capital and the unit capital shall be divided into two parts in the same proportion as the aggregate face value of all the units immediately prior to the date on which the Trust is placed in liquidation bears to the initial capital as on that date; and
 - (ii) The first part shall be distributed among the contributing institutions in proportion to their respective contributions to the initial capital as on that date and the second part shall be distributed among the unit holders in proportion to the face value of the units held by them as on that date.

Section 43. Regulations

- (1) The Board may, with the previous approval of the Reserve Bank, make regulations not inconsistent with this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.
- (2) In particular and without prejudice to the generally of the foregoing power, such regulations may provide for—
 - (a) The form and manner of maintenance of the register of contributing institutions and the particulars to be contained therein;
 - (b) The face value of a contribution certificate, its form and the particulars to be contained therein;
 - (c) The manner of transfer of a contribution certificate;
 - (d) The rights and liabilities of a contributing institution;
 - (e) The holding and conduct of election under this Act, including the final decision on doubts or disputes regarding the validity of elections;
 - (f) The fees and allowances that may be paid to the trustees;
 - (g) The times and places of the meeting of the Board or of any committee constituted under this Act and the procedure to be followed at such meetings including the quorum necessary for the transaction of business;
 - (h) The fees and allowances that may be paid to the members of a committee, other than trustees;

- (i) The institutions with which money may be kept on deposit;
 - (j) The manner of distribution of income to the contributing institutions;
 - (k) The form and manner in which the balance-sheet and the accounts of the Trust shall be prepared and maintained;
 - (l) The date on which the books of accounts of the Trust shall be balanced and closed each year;
 - (m) The duties and conduct, salaries and allowances, and other conditions of service of officers and other employees of the Trust;
 - (n) The establishment and maintenance of provident or other benefit funds for officers and other employees of the Trust; and
 - (o) Any other matter which is to be, or may be, prescribed.
- (3) Any regulation which may be made by the Board under this Act may be made by the Reserve Bank within three months of the establishment of the Trust and any regulation so made may be altered or rescinded by the Board in the exercise of its powers under this Act.

Section 44. Amendment of certain enactments

The enactments specified in the Second Schedule to this Act shall be amended in the manner provided therein.

THE FIRST SCHEDULE

(See section 34)

DECLARATION OF FIDELITY AND SECRECY

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as trustee, auditor, officer or other employee (as the case may be) of the Unit Trust of India and which properly relate to the office or position held by me in the said Trust.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Unit Trust of India or to the affairs of any person having any dealing with the said Trust; nor will I allow any such person to inspect or have access to any books or documents belonging to or in possession of the Unit Trust of India and relating to the business of the said Trust or the business of any person having any dealing with the said Trust.

(Signature)

Signed before me:

THE SECOND SCHEDULE

(See section 44)

AMENDMENT OF CERTAIN ENACTMENTS

PART I

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934

(2 OF 1934)

Amendments

1. Amendment of section 2.

In section 2, after clause(f), insert the following clause, namely:—

‘(g) “Unit Trust” means the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963.’

2. Amendment of section 17.

In section 17,—

(a) After clause(4BB), insert the following clause, namely:—

“(4BBB) The making to the Unit Trust of loans and advances—

(i) Repayable on demand or on the expiry of a fixed period not exceeding ninety days from the date of such loan or advance against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India, or

(ii) Repayable on demand or within a period of eighteen months from the date of such loan or advance against the security of the bonds of the Unit Trust issue with the approval of and guaranteed by the Central Government;”;

(b) After clause (4E), insert the following clause, namely:—

“(4F) Contributing to the initial capital of the Unit Trust.”.

PART II

AMENDMENT TO THE INDUSTRIAL DISPUTES ACT, 1947

(14 OF 1947)

Amendment

Amendment of section 2. In section 2, in sub-section(i) of clause (a), after “Deposit Insurance Corporation Act, 1961 or” insert the following, namely:—

“The Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963, or”.

PART III

AMENDMENT TO THE INDUSTRIAL FINANCE CORPORATION ACT, 1948

Amendment

Substitution of new section for section 20. For section 20, substitute the following , namely:—

“20. Investment of funds.

The Corporation may invest its funds in the securities of the Central Government or of any State Government and may, with the approval of the Central Government, contribute to the initial capital of the Unit Trust of India established under the Unit Trust of India Act, 1963”.

PART IV

AMENDMENT TO THE STATE BANK OF INDIA ACT, 1955

(23 OF 1955)

Amendment

Amendment of section 33. In section 33, after clause (xix), insert the following clause, namely:—

“(xixaa) Contributing to the initial capital of the Unit Trust of India established under the Unit Trust of India Act, 1963;”.