

* Defination

1. Contribution or payment made by investor
2. and utilise such fund for the purpose of scheme or arrangement.
3. The scheme is managed by CIS on behalf of investor
4. where investor do not have any control &
5. any scheme which is not registered & having corpus (capital) of ₹ 100 or shall deemed to be CIS

* CIS does not include [CCC DDD FFF]

- a. Co-operative society registered under co-operative society.
- b. Contract of insurance by insurance company
- c. Central Govt specified scheme that the scheme is not CIS
- d. Deposits by NBFC
- e. Deposits accepted by Central company sec 74
- f. Deposits by Nidhi company
- g. mutual fund
- h. chit Fund
- f. Pension Fund regulated by PFR DA.

*** CIS property**

- money or money's worth invested by unit holder
- property acquired with such money, income arising on such property or money.

*** Restriction on business Activities of CFMC?**

CFMC NOT

↓
undertake any activity other than that of managing the CIS

↓
Act as a trustee of any CIS

↓
launch any CIS for the purpose of investing in securities

*** Obligation of CFMC**

- Responsible managing funds or property of CIS on behalf of unit holder
- Exercise due diligences & reasonable care in managing the assets of CIS.
- liable for any act or omission by its employee.
- cannot enter into any transaction with or through its associates or their relatives relating to CIS. However, enter into any transaction with associate
- report to trustee & SEBI
- Appoint registrar & share transfer agent.
- Report to SEBI on monthly basis of all money received & payment made.

- Hold twice board meeting in every 3 months.
- An obtain adequate insurance against the properties.

* Penal provision

- IF CPMC violates the CIS regulations the SEBI may.
 - a) Suspension / cancellation of certificate.
 - b) may initiate criminal prosecution.
 - c) Prohibit from accepting the money from investor.
 - d) Prohibiting person from disposing of property.
 - e) requiring the person to dispose off the property as per the direction given by SEBI.
 - f) requiring the person to refund the money.
 - g) Prohibiting from operations in capital market.

* Trustee & their obligation

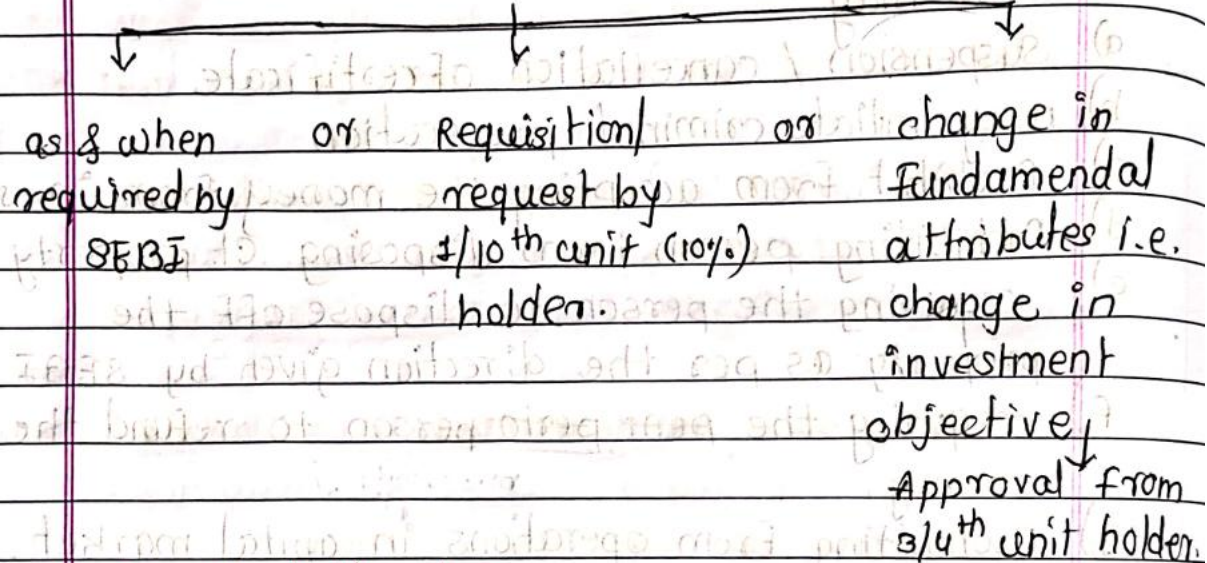
- Trustee holds the trust property for the benefit of unit holder.
- Trustee must be registered with SEBI as debenture trustee.
- Enter into agreement CPMC.

* Right & obligation of trustee

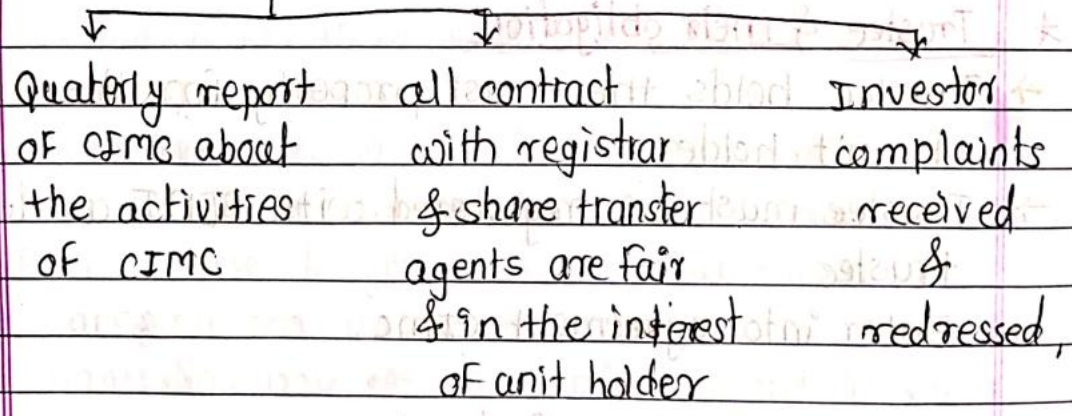
- Trustee can obtain info from CPMC & can inspect the books of A/c.
- Trustee shall ensure.
 - a) CPMC has necessary infrastructure.
 - b) Appointment KMP shall have adequate experience & qualification.
 - c) Appoint auditor from the list of auditor approved by SEBI.

- d) appoint registrar & share transfer agent.
- e) appoint compliance officer
- F) Taken adequate insurance of assets of the CFMC.

→ Trustee shall convene a meeting of unit holder



*** Trust shall review**



→ Ensure that CIS to be rated by rating agency.

*** Termination OF trusteeship**

→ cease to be trustee under debenture trustee regulation.

→ IF the trustee is in course of wound up.

15%

- 3/4th unitholder pass the resolution to remove the trustee & such resolution is approved by SEBI
- Removal of trustee by SEBI it is in the interest of unitholder ↓
- Registration by trustee after giving 3 month of notice.
- appointment of new trustee within 3 month from termination if CFMC failed to appoint then SEBI can appoint New trustee.

* Procedure for launching CIS.

- scheme must be registered with SEBI
- obtain credit rating. - moody company
- appraised by appraisal agency. - review kama
- Duration of close ended CIS - 3 years
- obtain adequate insurance policy.
- NO assured return however indicative return may be indicated
- file copy of offer document to SEBI
- IF modification suggested by SEBI carry out such modification & IF no modification by SEBI then dispatch offer document to public
- Advertisement shall be in conformity with code of conduct.
- Appraisal report shall be form part of offer document & given consent by appraisal agency.
- offer period → max 90 days.
- refund of app money → ^{may open for another 15 days after giving public notice.} within 5 days - 1 week
- From closure of subscription period, failed to refund then liable to pay int @ 15% p.a.

5 days

→ Issue unit certificate within ~~6 month~~ week
From closure of subscription period.

→ App. money kept in separate bank account &
utilise against allotment after trustee received
confirming letter. confirming min subscription
has been received.

→ fund of CIS utilise for the purpose of scheme.

* Investment & segregation of fund.

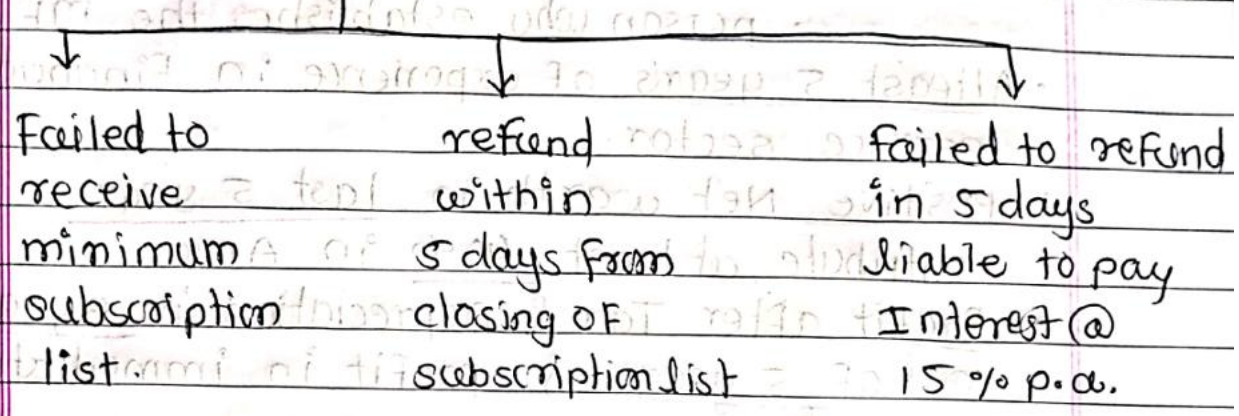
- Investment in the object of CIS.
- segregate the assets of different CIS
- cannot invest in other CIS.
- cannot investment in other scheme except
permitted by SEBI & trustee.

* winding up of scheme.

- Happening of event which in the opinion of
trustee requires wound up with prior approval
of SEBI
- Approval of 3/4th unit holder & obtain SEBI
approval.
- purpose of CIS cannot be accomplished then
obtain approval of trustee, 3/4th of unit
holder & SEBI approval.

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Refund



- * minimum subscription → 20 cr
 - * minimum investor → 20
 - * max investment by single investor. → 25% of asset
 - * max investment in owned project shall not exceed 25%
 - * listing within 6 month of IPO
- After winding up the unclaimed money shall deposited into separate bank a/c for the period of 3 years.

* **ponzi scheme** :- A ponzi scheme is an investment from where clients are promised large profit in short term of little or no risk at all

- fraudulent investment scheme promising higher return.
- scheme generates high return for earlier investor from their own money
- As more investor invest in such scheme than sponsor.