**THE GAZETTE OF INDIA**

**EXTRAORDINARY**

**PART - III - SECTION 4**

**PUBLISHED BY AUTHORITY**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**NOTIFICATION**

**Mumbai, the 19th day of February, 2004**

# SECURITIES AND EXCHANGE BOARD OF INDIA (SELF REGULATORY ORGANIZATIONS) REGULATIONS, 2004

**F. No. SEBI/LAD/DOP/3348/2004.** In exercise of the powers conferred by section 30 read with clause (d) of sub-section (2) of section 11 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations, namely:-

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## CHAPTER - I

## PRELIMINARY

**Short title and commencement.**

**1.** (1) These Regulations may be called the Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2004.

(2) These Regulations shall come into force on such date as may be specified by the Board: Provided that different dates may be specified for different provisions of these regulations and any reference in any such provision to the commencement of these regulations shall be construed as a reference to the commencement of that provision:

[1][Provided further that the provisions of these regulations shall come into force in relation to different classes of intermediaries on such dates as the Board may by notification in the Official Gazette appoint.]

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[1]Inserted by the SEBI (Self Regulatory Organizations) (Amendment) Regulations, 2013 w.e.f. 07.01.2013

**Definitions**

**2.** (1) In these regulations, unless the context otherwise requires, -

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "Board" means the Securities and Exchange Board of India established under section 3 of the Act;

(c) "agent" means any person who is associated with securities market and who conducts the business of distribution of securities products;

(d) "certificate" means a certificate of recognition granted to a Self Regulatory Organization by the Board under sub-regulation (1) of regulation 5 and includes a certificate renewed under regulation 9;

(e) "company" means a company which has been granted license under section 25 of the Companies Act, 1956 (1 of 1956);

[2][(ea) "distributor" means distributor as defined in clause (g) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007;]

(f) "economic offence" means an offence to which the Economic Offences (Inapplicability of Limitation) Act, 1974 (12 of 1974), is applicable for the time being and includes an offence under the Securities and Exchange Board of India Act, 1992, Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996;

(g) "governing norms" mean the governing norms of a Self Regulatory Organization made in accordance with sub-regulation (1) of regulation 15;

[3][(h) "intermediary" means intermediary as defined in clause (g) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;]

[4][(ha) "issuer" means issuer as defined in clause (i) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007;]

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[2]Inserted by the SEBI (Self Regulatory Organizations) (Amendment) Regulations, 2013 w.e.f. 07.01.2013.

[3] Substituted by the SEBI (Self Regulatory Organizations) (Amendment) Regulations, 2013 w.e.f. 07.01.2013. Prior to its substitution, clause (h) read as under:

"(h) "intermediary" means any person who is registered with the Board under section 12 of the Act;"

[4] Inserted by the SEBI (Self Regulatory Organizations) (Amendment) Regulations, 2013 w.e.f. 07.01.2013

(i)"member" means an intermediary who has been admitted as a member of a Self Regulatory Organization and includes an agent who has been so admitted;

(j) "office bearer" in relation to a Self Regulatory Organization means its Chairman, Managing Director, any whole time director or Chief Executive Officer, by whatever name called, and includes any person named as such by the Self Regulatory Organization in its application for grant or renewal of recognition made under these regulations;

(k) "Self Regulatory Organization" means an organization of intermediaries which is representing a particular segment of the securities market and which is duly recognised by the Board under these regulations, but excludes a stock exchange.

(2) Words and expressions used and not defined in the regulations, but defined in the Act, shall have the meanings respectively assigned to them in the Act.

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## CHAPTER II

## RECOGNITION OF SELF REGULATORY ORGANIZATION

**Recognition of Self Regulatory Organization.**

**3.** (1) Any group or association of intermediaries, which is desirous of being recognized as a Self Regulatory Organization, may form a company registered under section 25 of the Companies Act, 1956 and such company may make an application to the Board for grant of certificate of recognition as a Self Regulatory Organization:

[5][Provided that for the purpose of this sub-regulation a distributor shall be deemed to be an intermediary]:

[6][Provided further that the Board may, in case of distributors engaged by asset management companies of mutual funds, grant certificate of recognition to only one group or association making an application under this regulation.]

(2) Every application made by such company under sub-regulation (1) shall contain such particulars as may be specified and shall be accompanied by a copy of the governing norms

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[5] Inserted by the SEBI (Self Regulatory Organizations) (Amendment) Regulations, 2013 w.e.f. 07.01.2013

[6]Inserted by the SEBI (Self Regulatory Organizations) (Second Amendment) Regulations, 2013 w.e.f. 18.11.2013

of Self Regulatory Organization and also a copy of the memorandum and articles of association relating in general to the constitution of the Self Regulatory Organization and in particular, to -

(a) Board of Directors of Self Regulatory Organization, its constitution and powers of management and the manner in which its business would be transacted;

(b) the powers and duties of the office bearers of Self Regulatory Organization;

(c) the admission into the Self Regulatory Organization of members, agents, their qualifications for membership, and the exclusion, suspension, expulsion and readmission of members therefrom or thereinto;

(3) Every application under sub-regulation (1) shall be signed on behalf of the applicant under authority of its Board of Directors by its Chairman, Managing Director, Chief Executive Officer or whole time director.

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(4) Every application under sub-regulation (1) shall be made to the Board in Form A of the first schedule and shall be accompanied by a non-refundable application fee, as specified in Part A of the second schedule, to be paid in the manner specified in Part B thereof.

**Eligibility criteria.**

**4.** The Board shall not consider an application for grant of a certificate under regulation 3 unless the applicant satisfies the following conditions, namely:-

(a) the applicant is a company which has been granted license under section 25 of Companies Act, 1956;

(b) the applicant has, in its memorandum of association, specified admission of members and discharging the functions of Self Regulatory Organization as one of its main objects;

(c) the applicant has a minimum networth of one crore rupees;

(d) the applicant has adequate infrastructure, to enable it to discharge its functions as a Self Regulatory Organization in accordance with the provisions of the Act and these regulations;

(e) the applicant referred to in regulation 3 and its directors have the professional competence, financial soundness and general reputation of fairness and integrity to the satisfaction of the Board;

(f) neither the applicant, nor any director of the applicant is involved in any legal proceeding connected with the securities market, which may have an adverse impact on the interests of the investors;

(g) neither the applicant, nor any director has at any time in the past been convicted of any offence involving moral turpitude or any economic offence;

(h) the applicant has, in its employment, persons having adequate professional and other relevant experience to the satisfaction of the Board;

[7][(i) the applicant is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;]

(j) grant of certificate to the applicant is in the interest of investors and the securities market.

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**[8][Grant of in-principle approval.**

**4A.** Where the applicant is not in compliance with the provisions of clauses (c), (d) or (h) of regulation 4, on the date of submission of the application under regulation 3, the Board may grant an in-principle approval to the applicant, which shall be valid for a period of one hundred and eighty days, within which the applicant shall ensure compliance with all provisions of regulation 4:

Provided that the Board may, upon sufficient cause shown by the applicant, extend the validity of the in-principle approval for a further period not exceeding ninety days.]

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[7]Substituted by the SEBI (Self Regulatory Organisations) (Second Amendment) Regulations, 2013 w.e.f. 18.11.2013. Prior to its substitution, clause (i) read as under:

"(i) the applicant, in all other respects, is a fit and proper person for the grant of a certificate;"

[8] Inserted by the SEBI (Self Regulatory Organizations) (Second Amendment) Regulations, 2013 w.e.f. 18.11.2013.

**Grant of recognition as a Self Regulatory Organization.**

**5.** (1) If the Board is satisfied, after making such inquiry as may be necessary in this behalf and after obtaining such further information, if any, as it may require, -

(a) that the articles and governing norms of the applicant applying for recognition are in conformity with such conditions as may be specified by the Board;

(b) that the applicant is willing to comply with any other conditions which the Board may impose for the purpose of carrying out the objects of these Regulations; and,

(c) that it would be in the interest of the trade and also in the public interest to grant recognition to the applicant as a Self Regulatory Organization;

the Board may grant certificate of recognition to the applicant as a Self Regulatory Organization in Form B1 of the First Schedule subject to such terms and conditions as the Board may deem fit and appropriate.

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(2) The conditions which the Board may specify under sub-regulation (1) for the grant of recognition to the applicant as a Self Regulatory Organization may include, among other matters, conditions relating to, -

(i) the qualification for membership of the Self Regulatory Organization;

(ii) the representation of the Board in the Board of Directors of the Self Regulatory Organization by such number of directors not exceeding four as the Board may nominate in this behalf; and

(iii) the maintenance of accounts of members and their audit by chartered accountants whenever such audit is required by the Board.

(3) No articles of Self Regulatory Organization relating to any of the matters specified in clauses (a), (b) and (c) of sub-regulation (2) of Regulation 3 shall be amended except with the prior written approval of the Board.

**Application to conform to the requirements**

**6.** [9][Subject to the provisions of regulation 4A, any application] for a certificate, which is not complete in all respects or does not conform to the requirements of these regulations and particularly regulations 3, 4 and 5 or instructions specified in Form A shall be rejected by the Board:

**Provided that,** before rejecting any such application, the Board shall give an opportunity to the applicant to remove such objections as may be indicated by the Board, within 30 days of the date of receipt of relevant communication, from the Board:

**Provided further** that the Board may, on sufficient cause being shown, extend the time for removal of objections by such further time, not exceeding 30 days as the Board may consider fit, to enable the applicant to remove such objections.

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**Furnishing of information, clarification and personal representation**

**7.** (1)The Board may require the applicant to furnish such further information or clarification as it may consider necessary for the purpose of processing of the application.

(2) The Board, if it so desires, may require the applicant to appear before it through an authorized representative for personal representation in connection with the grant of a certificate of recognition.

**Conditions of certificate and validity period.**

**8.** (1) The certificate granted under regulation 5 shall be, subject to the following conditions, namely: -

(a) the applicant shall comply with the provisions of the Act, applicable regulations and guidelines, directions or circulars issued by the Board from time to time;

(b) any information or particulars furnished to the Board by the applicant shall not be false or misleading in any material respect;

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[9] Substituted for the words "Any application" by the SEBI (Self Regulatory Organizations) (Second Amendment) Regulations, 2013 w.e.f.18.11.2013

(c) where any material information or particulars furnished to the Board by the applicant, in or in connection with the application for recognition, has undergone change subsequent to its furnishing, the applicant shall forthwith inform the fact to the Board in writing;

(2) The certificate of recognition shall be valid for a period of five years.

**Renewal of certificate.**

**9.** (1) Any Self Regulatory Organization desirous of obtaining renewal of the recognition granted to it, shall make to the Board an application for the renewal of the certificate of recognition in Form A of the First Schedule.

(2) Such application shall be made not less than three months before expiry of the period of validity of the certificate, specified in sub-regulation (2) of regulation 8.

(3) The application for renewal made under sub-regulation (1), -

(a) shall be accompanied by a renewal fee as specified in the second schedule; and,

(b) as far as may be, shall be dealt with in the same manner as if it were an application for the grant of a fresh certificate under regulation 3.

(4) If the Board is satisfied that the certificate of recognition already granted to the Self Regulatory Organization under sub-regulation (1) of regulation 5 or the certificate previously renewed under this regulation deserves to be renewed, the Board may renew such certificate in Form B2 of the First Schedule subject to such terms and conditions as it may deem fit and appropriate.

**Procedure where certificate is not granted**

**10.** (1) If, after considering an application made under regulation 3 or regulation 9, as the case may be, the Board is of the opinion that a certificate should not be granted or renewed, it may, after giving the applicant a reasonable opportunity of being heard, reject the application within a period of thirty days of receipt of such application complete in all respects or within thirty days of receipt of further information or clarification sought under regulation 7.

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(2) If any application is rejected under sub-regulation (1), the fact shall be communicated to the applicant forthwith, stating the grounds for such rejection.

**Effect of refusal to grant certificate**

**11.** (1) An applicant referred to in sub regulation (1) of regulation 3 whose application for the grant of a certificate has been rejected under sub-regulation (1) of regulation 10 shall not undertake any activity as Self Regulatory Organization.

(2) A Self Regulatory Organization referred to in regulation 9 whose application for the renewal of certificate has been rejected by the Board shall on and from the date of the receiptof the communication from the Board under sub regulation (2) of regulation 10 cease to carry on any activity as Self Regulatory Organization.

(3) If the Board is satisfied that it is in the interests of investors to do so, it may permit the Self Regulatory Organization referred to under sub-regulation (2) to complete the functions or obligations already initiated or undertaken by it during the pendency of the application or during the period of validity of the certificate.

(4) The Board may in order to protect the interests of investors, issue directions with regard to the transfer of records, documents or reports relating to the functions of the Self Regulatory Organization, whose application for the grant or renewal of a certificate has been rejected.

(5) The Board may, in order to protect the interests of investors, appoint any person to take charge of the records, documents or reports relating to the organization referred to in sub-regulation (4) and for this purpose also determine the terms and conditions of such appointment.

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## CHAPTER III

### COMPOSITION AND FUNCTIONS OF SELF REGULATORY ORGANIZATIONS

**Composition of Board of Directors.**

**12.** (1) The Articles of Association of a Self Regulatory Organization shall provide for the following: -

(a) There shall be a Board of Directors of the Self Regulatory Organization and majority of directors shall be independent directors.

(b) The independent directors shall not be required to hold any qualification shares.

(c) The Board of Directors shall consist of nine directors out of which five directors shall be nominated by the Board and the remaining four shall be elected by the members of the Self Regulatory Organization.

(d) The General Superintendence, direction and management of the affairs of the Self Regulatory Organization shall vest in its Board of Directors, which may exercise all powers and do all acts and things which may be exercised or done by the Self Regulatory Organization.

(e) There shall be a Chairman, who shall be an independent professional, appointed by Board of Directors, with the prior approval of the Board.

(f) The Chairman shall be responsible for day-to-day administration of Self Regulatory Organization and implementing the decisions of Board of Directors.

(g) The Board of Directors may establish committees including disciplinary committee, screening committee, arbitration committee or remuneration committee in order to carry out the purposes of these regulations:

**Provided that** the committees constituted under this regulation may consist whollyof other persons or partly of directors and partly of other persons:

**Provided further that** the majority of members of each such committee shall beindependent.

(h) The office bearers of Board of Directors shall relinquish their office, when the Board passes an order under clause (c) of sub-section (4) of section 11 of the Act.

(i) The Board of Directors of the Self Regulatory Organization shall be reconstituted as and when required by the Board.

**Membership of Self Regulatory Organization.**

**13.** (1) After commencement of these regulations, any application for registration or renewal of registration as an intermediary with the Board under the respective regulations applicable to such intermediaries, shall in case of any applicant who is a member of a Self

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Regulatory Organization or who ought to be a member of a Self Regulatory Organization, be made only through the Self Regulatory Organization of which he is a member, in the specified manner.

(2) The application under sub-regulation (1) shall be forwarded by the Self Regulatory Organization to the Board along with its recommendation for grant or refusal of certificate of registration not later than 30 days from the date of its receipt.

(3) The Self Regulatory Organization shall also give the reasons for its recommendation either for granting certificate of recognition or for refusal of certificate of registration by the Board.

**Functions and Obligations of Self Regulatory Organization.**

**14.** (1) A Self Regulatory Organization shall always abide by the directions of the Board.

(2) The Self Regulatory Organization shall be responsible for investor protection and education of investors or its members and shall ensure observance of Securities Laws by its members.

(3) The Self Regulatory Organization shall specify standard of conduct for its members and also shall be responsible for the implementation of the same by its members.

(4) The Self Regulatory Organization shall conduct inspection and audit of its members, on regular basis, through independent auditors.

(5) The Self Regulatory Organization shall submit its annual report to the Board.

(6) The Self Regulatory Organization shall treat all its members and the applications for membership in a fair and transparent manner.

(7) The Self Regulatory Organization may collect admission and membership fees from its members for carrying out the purposes of these regulations.

(8) The Self Regulatory Organization shall promptly inform the Board of violations of the provisions of the Act, the rules, the regulations, the directions, the circulars or the guidelines by any of its members.

(9) The Self Regulatory Organization shall conduct screening and certification tests for its members, agents and such other persons as it may determine.

(10) Self Regulatory Organization shall conduct training programmes for its members or agents and also conduct awareness programmes for securities market investors.

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(11) The Self Regulatory Organization shall make endeavors for introduction of best business practices amongst its members.

(12) The Self Regulatory Organization shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.

(13) The Self Regulatory Organization shall comply with the norms of corporate governance as applicable to listed companies.

(14) The Self Regulatory Organization may discharge such other functions and obligations as may be specified by the Board, from time to time.

**Governing norms of Self Regulatory Organization.**

**15.** (1) A Self Regulatory Organization may, subject to the previous approval of the Board, make governing norms and articles consistent with the provisions of the Act and these regulations.

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(2) In particular, and without prejudice to the generality of the foregoing power, the governing norms or articles may provide for:-

(i) eligibility criteria for admission and removal of members from Self Regulatory Organization;

(ii) manner and the periodicity of furnishing information to the Board and to its members;

(iii) arbitration mechanism for resolving disputes between members and / or between members and their constituents;

(iv) procedurefor proceeding against the member committing breach of the governing norms or articles including provisions for suspension or expulsion of members from the Self Regulatory Organization;

(v) internal control standards including procedure for inspection, auditing, reviewing, monitoring and surveillance of its members by Self Regulatory Organization;

(vi) code of conduct specifying standards for its members in the conduct of business;

(vii) procedure for conduct of election of the office bearers and members of the committees;

(viii) obligation of members to supply such information or explanation and to produce such documents relating to the business as Board of Directors may require;

(ix) manner of disciplinary action against its members by Self Regulatory Organization;

(x) contents and format of the annual report;

(xi) procedure for conduct of the meetings, quorum etc of Board of Directors;

(xii) manner of maintaining accounts or records of the Self Regulatory Organization; and,

(xiii) reporting requirements to the Board on monthly basis about various aspects of its functioning including policy initiatives, progress in certification, number of members admitted and disciplinary action taken against members, if any.

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(3) The governing norms or articles shall also provide that the contravention of any of the governing norms shall render the member of Self Regulatory Organization concerned liable to one or more of the following punishments, namely:-

(i) forfeiture of shares;

(ii) expulsion from membership;

(iii) suspension from membership for a specified period;

(iv) any other penalty of a like nature not involving the payment of money.

(4) Where the Board considers it expedient so to do, it may, by order in writing, direct a Self Regulatory Organization to make any governing norms or to amend or revoke any of them within such period as it may specify in this behalf.

(5) If a Self Regulatory Organization fails or neglects to comply with such order within the specified period, the Board may make, amend or revoke the governing norms either in the form specified in the order or with such modifications as the Board may think fit.

## CHAPTER IV

## INSPECTION AND AUDIT

**Board's right to inspect.**

**16.** (1) Where it appears to the Board so to do, it may appoint one or more persons as inspecting authority to undertake inspection of the books of accounts, other records and documents of the Self Regulatory Organization for any of the purposes specified in sub-regulation (2).

(2) The purposes referred to in sub-regulation (1) shall be as follows, namely: -

(a) to ensure that the provisions of the Act, the regulations, the directions and the circulars issued by the Board are being complied with;

(b) to inquire into the complaints received from members, investors, or any other person on any matter having a bearing on the activities of the Self Regulatory Organization; or,

(c) to inquire suomotu, in the interest of securities business or investors' interest, into the affairs of the Self Regulatory Organization.

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**Procedure for inspection.**

**17**.(1) Before undertaking any inspection under regulation 16, the Board shall give a reasonable notice to the Self Regulatory Organization for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of the investors or in public interest, no such notice should be given, it may by an order in writing, direct that the inspection of the affairs of the Self Regulatory Organization be taken up without such notice.

(3) On being empowered by the Board, the inspecting authority shall undertake the inspection and the Self Regulatory Organization against whom an inspection is being carried out shall be bound to discharge its obligations as provided under regulation 18.

**Obligations of Self Regulatory Organization on inspection by the Board.**

**18.** (1) It shall be the duty of the Chairman, every Director, officer and employee of the Self Regulatory Organization, who is being inspected to produce to the inspecting authority or

to any person authorized by him, such books, accounts and other documents in their custody or control and furnish to the Board the statements and information relating to the activities of Self Regulatory Organization in securities market within such time as the Board may require.

(2) The Self Regulatory Organization shall allow the inspecting authority or any person authorized by him to have reasonable access to the premises occupied by the Self Regulatory Organization or by any other person on its behalf and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the Self Regulatory Organization or any other person and also provide copies of documents or other materials which, in the opinion of the inspecting authority are relevant.

(3) The inspecting authority in the course of inspection shall be entitled to examine or record statements of the Chairman, Director, any member and employee of the Self Regulatory Organization.

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(4) It shall be the duty of the Chairman, every Director, officer and employee of the Self Regulatory Organization to give to the inspecting authority all assistance in connection with the inspection, which the Self Regulatory Organization may reasonably be expected to give.

**Submission of report to the Board.**

**19.** The inspecting authority shall, as soon as possible, submit an inspection report to the Board.

**Appointment of auditor.**

**20.** (1) Notwithstanding anything contained above, the Board may appoint a qualified auditor to inspect the books of account or the affairs of the Self Regulatory Organization.

**Provided** that the auditor so appointed shall have the same powers of the inspecting authority as mentioned in regulation 16 and the obligations of Self Regulatory Organization mentioned in regulation 18 shall be applicable to an inspection under this regulation.

(2) The Board shall be entitled to recover the expenses of such audit or inspection as may be incurred by it, including fees paid to the auditors, from the concerned Self Regulatory Organization.

**Power of the Board to call for periodical returns or direct inquiries to be made.**

**21.** (1) Every Self Regulatory Organization shall furnish to the Board such periodical returns relating to its affairs as may be specified.

(2) Every Self Regulatory Organization and every member thereof shall maintain and preserve for such periods such books of account and other documents as the Board after consultation with Board of Directors of Self Regulatory Organization concerned, may specify in the interests of the trade or in the public interest and such books of account and other documents shall be subject to inspection at all reasonable times by the Board.

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(3) Without prejudice to the provisions contained in sub-regulation (1) and (2), if the Board is satisfied that it is in the interests of the trade or in the public interest so to do, it may, by order, in writing, -

(a) call upon Board of Directors of a Self Regulatory Organization or any member thereof to furnish in writing such information or explanation relating to the affairs of the Self Regulatory Organization or of the member in relation to the Self Regulatory Organization as the Board may require; or

(b) appoint one or more persons to make an inquiry in the prescribed manner in relation to the affairs of a Self Regulatory Organization or the affairs of any members of the Self Regulatory Organization in relation to the Self Regulatory Organization and submit a report of the result of such inquiry to the Board within such time as may be specified in the order or, in the case of inquiry in relation to the affairs of any of the members of a Self Regulatory Organization direct Board of Directors to make the inquiry and submit its report to the Board.

(4) Where an inquiry in relation to the affairs of a Self Regulatory Organization or the affairs of any of its members in relation to the Self Regulatory Organization has been undertaken under sub-regulation (3), -

(a) the Chairman, every director, manager, secretary, or other officer of the Self Regulatory Organization.

(b) every member of such Self Regulatory Organization.

(c) if the member of the Self Regulatory Organization is a firm, every partner, manager, secretary or other officer of the firm; and,

(d) every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clause (a), (b) or (c) whether directly or indirectly;

shall be bound to produce before the authority making the inquiry all such books of account, and other documents in his custody or power relating to or having a bearing on the subject matter of such inquiry and also furnish to the authority such statement or information as he may require within such time as may be specified by him.

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## CHAPTER V

## ACTION IN CASE OF DEFAULT

**Obligation of Board of Directors to take disciplinary action against a member if so directed by the Board.**

**22.** (1) After receiving the report of an enquiry made under regulation 21, the Board may take such action as it deems proper and, in particular, may direct Board of Directors of the Self Regulatory Organization to take such disciplinary action against the delinquent member, including expulsion, suspension or any other penalty of a like nature not involving the levy of monetary penalty, as may be specified by it and thereupon, notwithstanding anything to the contrary contained in the articles or governing norms of the Self Regulatory Organization concerned, the Board of Directors of the Self Regulatory Organization shall give effect to the directions of the Board and shall not in any manner commute, revoke or modify the action taken in pursuance of such directions, without the prior written approval of the Board.

(2) The Board may either on its own motion or on representation of the member concerned, modify or withdraw any of its directions issued under sub-regulation (1), if it is satisfied that there are sufficient grounds for doing so.

**Withdrawal of recognition.**

**23.** (1) If the Board is of the opinion that the recognition granted to a Self Regulatory Organization under the provisions of these Regulations should, in the interest of the trade or in the public interest, be withdrawn, it may serve a written notice in Form "C" on Board of Directors of the Self Regulatory Organization calling upon it to show cause as to why the recognition should not be withdrawn for the reasons stated in the notice.

(2) Where a notice is issued under sub-regulation (1), the Board may, after giving an opportunity to Board of Directors of the Self Regulatory Organization to be heard in the matter, withdraw, by passing an order, the recognition granted to the Self Regulatory Organization and thereupon sub-regulations (3), (4) and (5) of regulation 11 would apply as if the application of the Self Regulatory Organization for renewal of recognition has been rejected under regulation 10.

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(3) The Board shall promptly communicate such order to the concerned Self Regulatory Organization.

(4) On receipt of the order passed under sub-regulation (2), the Self Regulatory Organization shall cease to carry on any activity as a Self Regulatory Organization and shall comply with such directions as may be issued by the Board under sub-regulation (2) read with sub- regulations (3), (4) or (5) of regulation 11, as the case may be.

**Action in case of violation.**

**24.** If any Self Regulatory Organization, any office bearer or member thereof violates any provisions of the Act or these regulations, it may be liable for -

(a) action under Chapter VIA of the Act;

(b) action under subsection (3) of section 12 of the Act;

(c) action under subsection (4) of section 11 and section 11B of the Act;

(d) action under section 24 of the Act;

(e) such other action permissible under the Act which may be deemed appropriate in the facts and circumstances of the case.

**FIRST SCHEDULE**

**FORMS**

**FORM A**

**(See Regulations 3 and 9)**

**Application for recognition / renewal of a Self Regulatory Organization under Regulation 3 of Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003.**

To

*Subject : Application for recognition / renewal of a Self Regulatory Organization under Regulation 3 of Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003.* Sir,

1. I, being duly authorized for the purpose, hereby apply on behalf of ..... (name and address of the applicant) being a company eligible to be recognized as a Self Regulatory Organization as defined in Regulation 2(i) of Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003 for recognition / renewal for the purpose of the said Regulations.

2. Four copies of the memorandum and articles of association of the Self Regulatory Organization and four copies of the governing norms are enclosed, alongwith the applicant's

Board resolution dated _____ authorizing the undersigned to make this application on its behalf.

3. All the necessary information required in the Annexure to this Form is enclosed. Any additional information will be furnished as and when called for by the Securities and Exchange Board of India.

4. I on behalf the Self Regulatory Organization hereby undertake to comply with the requirements of Regulation 4 of the said Regulations and such other conditions and terms as may be contained in the certificate of recognition or be specified or imposed subsequently.

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5. [10] [The fees has been remittedthrough electronic payment mode as per details below/]Demand Draft No ....dated for Rs ..... is attached.

Yours faithfully
Signature of authorized
signatory with name and
designation
(On behalf of_____<name of the applicant>)

## ANNEXURE TO FORM 'A'

### Part I - General

1. Name of the applicant.
2. Address.
3. Date of establishment.

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### Part II - Membership

1. State the number of members at the time of application. Also specify how many are inactive.

2. Do you insist on any minimum qualifications and experience before enrolling new members? If so give details.

3. Do you collect any admission / entrance fee from your member? If so, how much?

### Part III - Board of Directors

1. What is the present strength of your Board of Directors? Give details of the constitution, powers of management, election and tenure of the office Board of Directors, and the manner in which its business is transacted.

2. How many SEBI's representatives are there? Furnish their names.

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[10] Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6.3.2017.

3. Do you have any provision for the appointment of disciplinary committee, screening committee etc? If so, furnish the details of the method of their appointment, terms of office, powers and functions.

4. Give the designations, powers and duties of office-bearers of your organization. Are any of these office - bearers in the pay of the Self Regulatory Organization? If so, give details as to the mode of their appointment, tenure of office and remuneration.

**Part IV - Miscellaneous**

1. Do you have any machinery for arbitration of disputes between members and / or between members and their constituents ? Give details.

2. Are you charging admission fees from your members ? If so, give details.

IndiaCode

**FORM B1**

**Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003**

**(See Regulation 5 )**

**Certificate of Recognition**

1. In exercise of the powers conferred by regulation 5 of these regulations, the Board hereby grants a certificate of recognition No to M/s_____to act as a Self Regulatory Organization in accordance with these regulations and the conditions mentioned in the annexure.

2. Recognition Code for Self Regulatory Organization is .....

3. The certificate shall be valid from .....to ..... and may be renewed as specified in Regulation 9 of Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003.

**Place:** **By order**

**Date :** **Sd/-**

**For and on behalf**

**of Securities and Exchange Board of**

**India**

**Note: -** Application for renewal of recognition shall be made so as to reach the Board not less than three months before the expiry of the period.

**Form B2**

**Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003**

**( See Regulation 9(4) )**

**Certificate of renewal of Recognition**

1. In exercise of the powers conferred by sub-regulation (4) of regulation 9, the Board hereby renews the certificate of recognition No. dated _____ , issued to M/s. _____ , to function as a Self Regulatory Organization, for a further period

of _____ years from _____ .

2. Recognition Code for Self Regulatory Organization is .....

**Place:** **By order**

**Date :** **Sd/-**

**For and on behalf**

**of Securities and Exchange Board of**

**India**

**Note: -** Application for further renewal of recognition shall be made so as to reach the Board not less than three months before the expiry of the validity period of this certificate.

**FORM C**

**(See Regulation 23)**

**Notice to show cause against the withdrawal of registration**

THE SECURITIES AND EXCHANGE BOARD OF INDIA

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Mumbai, the....day of ..2003

To,

……

……

(name and address of the Self Regulatory Organization)

You are hereby called upon to show cause on or before ..... at the office of ..... (designation of the officer) why the certificate of recognition No. ..... granted to you under Regulation 5 of Securities and Exchange Board of India (Self Regulatory Organizations) Regulations, 2003, should not be withdrawn for the reasons given below:

Signature of the Officer

Designation

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**SECOND SCHEDULE**

**PART 'A'**

**Securities And Exchange Board Of India (Self Regulatory Organizations) Regulations,**

**2003**

**[ See Regulation 3 (4) and 9 (3) ] FEES**

*PART A*

AMOUNT TO BE PAID AS FEES

| | |
|---|---|
| Application fee | 25,000 |
| Recognition fee for grant of certificate | 5,00,000 |
| Renewal fee | 3,00,000 |

**PART B**

The fees specified above shall be paid [11][by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by RBI or] by way of a demand draft in favour of 'Securities and Exchange Board of India' payable at Mumbai.

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[11]Inserted by the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017, w.e.f. 6.3.2017.