

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 U.N. Avenue, Manila

Circular Letter No.:	2014-29
Date	19 June 2014
Supersedes	None

CIRCULAR LETTER

TO : All Insurance Companies, Mutual Benefit Association, Insurance Brokers and Other Supervised Persons and Entities

SUBJECT : Guidelines on the Registration and Operation of Self-Regulatory Organization

WHEREAS, the Insurance Code (Presidential Decree No. 612) was amended by R.A No. 10607, which was approved on August 15, 2013 and became effective on September 20, 2013;

WHEREAS, the Commissioner is authorized under Section 430 of the Insurance Code to prescribe rules and regulations which are necessary or appropriate in the public interest or for the protection of investors to govern self-regulatory organizations;

NOW THEREFORE, pursuant to the powers vested in me by Sec. 430 and 437 of the Insurance Code, as amended by R.A No. 10607, the following Guidelines governing self-regulatory organization are hereby promulgated:

1. TITLE OF THE GUIDELINES

These Guidelines may be called the "Guidelines on Registration and Operation of a Self-regulatory Organization."

2. DEFINITIONS

2.1 In these Guidelines, unless the context otherwise requires, the following terms have the following meaning:

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- (a) "Board of Directors" means an elected body that has overall responsibility for the management of the business of the corporation and exercises its corporate powers under the Corporation Code. It also refers to the Board of Trustees.
- (b) "By-laws" means the by-laws of a self-regulatory organization made in accordance with Section 435 of the Insurance Code and which is being filed with the SEC;
- (c) "Certificate of Registration" means a certificate granted to a self-regulatory organization by the Commission pursuant to Section 430 of the Insurance Code;
- (d) "Commission" means the Insurance Commission or Insurance Commissioner;
- (e) "Company" means an association or corporation issued with a certificate of registration as juridical entity by the Securities and Exchange Commission to perform activities in accordance with its Articles of Incorporation;
- (f) "Intermediary" means any person or entity who is licensed with the Commission as insurance broker, reinsurance broker or insurance agent;
- (g) "Insurance Agent" means any person who acts as an intermediary in the selling or solicitation of insurance products in behalf of the insurance company;
- (h) "Insurance Code" means Presidential Decree No. 612 as amended by R.A. No. 10607;
- (i) "Member" means a licensed or registered person or entity of the Commission who has been admitted as a member of a self-regulatory organization;
- (g) "SEC" means the Securities and Exchange Commission;
- (k) "Self-regulatory organization" means an organization of insurance companies, mutual benefit associations, intermediaries and holders of a certificate of authority or registration as identified association under Guideline 5 of these Guidelines which is representing a particular segment of the industry or profession duly recognized by the Commission.

2.2 Words and expressions used and not defined in the Guidelines, but defined in the Insurance Code, shall have the meanings respectively assigned to them in the Insurance Code.

3. REGISTRATION OF SELF-REGULATORY ORGANIZATION

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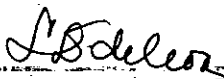
3.1 Any group or association of supervised persons or entities, which is desirous of being recognized as a self-regulatory organization, may form a non-profit company or corporation, register with the SEC and may make an application to the Commission for grant of certificate of registration as a self-regulatory organization.

3.2 An association cannot be registered as a self-regulatory organization unless the Commission determines that:

- (a) The association is so organized and has the capacity to be able to carry out the purposes of the Insurance Code and to comply with, and to enforce compliance by its members and persons associated with its members, with the provisions of the Insurance Code, the rules and Guidelines thereunder, and the rules of the association.
- (b) The rules of the association, notwithstanding anything in the Corporation Code to the contrary, provide the following:
 - 1) Qualifications and the disqualifications on membership of the association;
 - 2) A fair representation of its members to serve on the board of directors of the association and the administration of its affairs, and that any natural person associated with a juridical entity that is a member shall also be deemed to be a member for this purpose;
 - 3) The president of the association and at least two (2) independent directors as members of the board of directors of the association;
 - 4) Equitable allocation of reasonable dues, fees, and other charges among members and other persons using any facility or system which the association operates or controls;
 - 5) The prevention of fraudulent and manipulative acts and practices to protect the insuring public and the promotion of just and equitable principles of business;
 - 6) Members and persons associated with its members subject to discipline for violation of any provision of this Code, these Guidelines, or the rules of the association;
 - 7) Fair procedure for the disciplining of members and persons associated with members; and
 - 8) The prohibition or limitation of access to services offered by the association or a member thereof.
- (c) The applicant has at least 2/3 of the total licensees or registered persons or companies in the specific group it intends to represent and act as a self-regulatory organization. 2/3 also of the members have agreed to the registration of the association as a self-regulatory association.

3.3 Every application shall be signed on behalf of the applicant under authority of its Board of Directors by its Chairman and president or chief executive officer and shall be accompanied by a non-refundable application fee.

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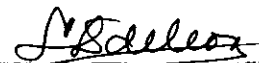
4. ELIGIBILITY CRITERIA

4.1 The Commission shall not consider an application for grant of a certificate unless the applicant satisfies the following conditions, namely:

- (a) The applicant is a company which has been granted Certificate of Registration by the Securities and Exchange Commission;
- (b) The applicant has in its by-laws, specified admission of members and discharging the functions of self-regulatory organization as one of its main objectives;
- (c) The applicant has a minimum member's equity of Php 2 million;
- (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 Insurance Code and these Guidelines;
- (e) The applicant and its directors have the professional competence, financial soundness and general reputation of fairness and integrity to the satisfaction of the Commission;
- (f) Neither the applicant, nor any director of the applicant is involved in any legal proceeding connected with the insurance market, which may have an adverse impact on the interests of the consumers or insured;
- (g) Neither the president or any director of the applicant 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 Commission;
- (i) The applicant, in all other respects, is a fit and proper person for the grant of a certificate;
- (j) Grant of certificate to the applicant is in the interest of consumers and the insurance market.
- (k) The applicant must represent one of the group of persons or entities identified under Section 430 of the Insurance Code or Guideline 5 of these Guidelines and has the minimum number required under Sub-guideline 3.2 (c) of the total licensed or registered persons or entities in the Insurance Commission as of 31st day of December of the preceding year.

5. GROUPS TO BE REPRESENTED BY A SELF-REGULATORY ORGANIZATION.

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5.1 Only one association shall be registered as a self-regulatory association in any one groups identified under Sub-guideline 5.2.

5.2 Self-regulatory organization status shall be conferred by the Commission for an association who can qualify in the following groups:

- (a) Life Insurance Companies
- (b) Non-Life Insurance Companies,
- (c) Mutual Benefit Associations
- (d) Insurance & Reinsurance Brokers
- (e) Adjusters
- (f) Actuaries
- (g) Non-Life Company Underwriters
- (h) Life Insurance Agents
- (i) Non-Life Insurance Agents
- (j) Rating Agencies
- (k) Reinsurers
- (l) Trusts
- (m) Persons regulated by the Commission and which are engaged in business regulated by the Insurance Code

5.3 In the case of insurance agents, both insurance agents who are independent contractors and with employee-employer relationship with the insurance companies are included in the determination of the total licensed insurance agents. An insurance agent may at the same time be a member of self-regulatory organizations representing life and non-life insurance group respectively. A removal as a member of one self-regulatory organization shall not automatically remove the insurance agent in another self-regulatory organization.

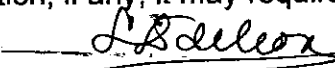
5.4 No certificate as self-regulatory organization shall be conferred to an association representing a group with licensed or registered persons or entities of less than 8 members; however, an association with previous self-regulatory status shall continue to act as self-regulatory organization as long as the total licensed or registered persons or entities is at least five.

6. PERIOD TO ACT ON THE APPLICATION FOR REGISTRATION

Upon the filing of an application for registration as a self-regulatory organization under this title, the Commissioner shall have ninety (90) days within which to either grant registration or institute a proceeding to determine whether registration should be denied. In the event proceedings are instituted, the Commissioner shall have two hundred seventy (270) days within which to conclude such proceedings at which time he shall, by order, grant or deny such registration

7. GRANT OF REGISTRATION AS A SELF-REGULATORY ORGANIZATION

7.1 If the Commission is satisfied, after making such inquiry as may be necessary in this behalf and after obtaining such further information, if any, it may require.


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(a) That the articles of incorporation and by-laws of the applicant applying for registration are in conformity with such conditions required by the New Insurance Code and these Guidelines;

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

(c) That it would be in the interest of the insurance market/consumers and also in the public interest to grant registration to the applicant as a Self-regulatory organization;

the Commission may grant certificate of registration to the applicant as a self-regulatory organization subject to such terms and conditions as the Commission may deem fit and appropriate.

7.2 The conditions which the Commission may specify under Sub-guideline 7.1 for the grant of registration to the applicant as a self-regulatory organization may include, among other matters, conditions relating to, -

(a) The qualification for membership of the self-regulatory organization;

(b) The appointment of at least two independent directors which are subject to confirmation by the Commission; and

(c) The maintenance of accounts of members and their audit by certified public accountants whenever such audit is required by the Commission.

7.3 To qualify as an independent director, the person:

(a) Is at least twenty-five (25) years of age at the time of his election or appointment;

(b) Must be fit and proper person for the position. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience;

(c) Is not or has not been a member of the executive committee of the board of directors, an officer or employee of the member-company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;

(d) Is not a director or officer of the related company of any member-company majority stockholder;

(e) Is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the member-company, or in any of its related

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companies or of its majority corporate shareholders;

- (f) Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the member-company or any of its related companies; and.
- (g) Is not acting as a nominee or representative of any director or substantial shareholder of the member-company, any of its related company or any of its substantial shareholders.

7.4 Any application for a certificate of registration, which is not complete in all respects or does not conform with the requirements of these Guidelines and particularly Guidelines 3, 4 and 5 shall be rejected by the Commission.

7.5 The Commission may require the applicant to furnish such further information or clarification as it may consider necessary for the purpose of processing of the application.

7.6 The Commission, 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 registration.

8. CONDITIONS OF CERTIFICATE AND VALIDITY PERIOD

8.1 The certificate of registration granted shall be subject to the following conditions, namely:


- (a) The applicant shall comply with the provisions of the Insurance Code, applicable guidelines, directions or circulars issued by the Commission from time to time;
- (b) Any information or particulars furnished to the Commission by the applicant shall not be false or misleading in any material respect; and
- (c) Where any material information or particulars furnished to the Commission by the applicant, or in connection with the application for registration, has undergone change subsequent to its furnishing, the applicant shall forthwith inform the fact to the Commission in writing;

8.2 The certificate of registration of a self-regulatory organization shall expire on the last day of December of the third year from the date of issuance.

9. RENEWAL OF CERTIFICATE OF REGISTRATION

9.1 Any self-regulatory organization desirous of obtaining renewal of the registration granted to it shall make to the Commission an application for the renewal of the certificate of registration.

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9.2 Such application shall be made not less than three months before expiry of the period of validity of the certificate.

9.3 The application for renewal:

(a) shall be accompanied by a renewal fee; and,

(b) as far as may be applicable, shall be dealt with in the same manner as if it were an application for the grant of a new certificate under Guidelines 7.

9.4 If the Commission is satisfied that the certificate of registration already granted to the self-regulatory organization or the certificate previously renewed under this regulation deserves to be renewed, and the registrant is continuing to comply with all the applicable provisions of existing laws, and of rules, instructions, orders and decisions of the Commission, the Commission may renew such certificate of registration subject to such terms and conditions as it may deem fit and appropriate.

10. PROCEDURE WHERE CERTIFICATE IS NOT GRANTED

10.1 If, after considering an application, the Commission is of the opinion that a certificate should not be granted or renewed, it may, after giving the applicant a reasonable opportunity to be heard, reject the application.

10.2 If any application is rejected, the fact shall be communicated to the applicant forthwith, stating the grounds for such rejection.

11. EFFECT OF REFUSAL TO GRANT CERTIFICATE

11.1 An applicant whose application for the grant of a certificate has been rejected shall not undertake any activity as self-regulatory organization.

11.2 A self-regulatory organization whose application for the renewal of certificate has been rejected by the Commission shall on and from the date of the receipt of the communication from the Commission cease to carry on any activity as self-regulatory organization.

11.3 If the Commission is satisfied that it is in the interests of consumers or insured to do so, it may permit the self-regulatory organization 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.

11.4 The Commission 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.

11.5 The Commission may, in order to protect the interests of consumers or insured, appoint any person to take charge of the records, documents or reports relating to

the organization in Sub-guideline 11.4 and for this purpose also determine the terms and conditions of such appointment.

12. COMPOSITION OF BOARD OF DIRECTORS AND CORPORATE OFFICERS

12.1 The Articles or By-laws 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 at least two of whom shall be independent directors.
- (b) The general supervision, 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.
- (c) There shall be a President who shall be appointed by Board of Directors.
- (d) The President shall be responsible for day-to-day administration of self-regulatory organization and implementing the decisions of Board of Directors.
- (e) 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 Guidelines: Provided that the committees constituted under this regulation may consist wholly of other persons or partly of directors and partly of other persons.
- (f) The Board of Directors of the self-regulatory organization shall be reconstituted as and when required by the Commission.

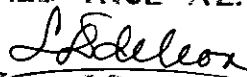
13. MEMBERSHIP TO THE SELF-REGULATORY ORGANIZATION

13.1 Upon the effectivity of these Guidelines, all licensees and holders of a registration certificates who, at the time of issuance of a certificate of registration to a self-regulatory organization are not members of the self-regulatory organization shall apply as such within ninety (90) days from the issuance of certificate of registration.

13.2 Every newly registered self-regulatory organization shall, upon receipt of its certificate of registration, inform all licensees and registered persons within a group it represents who are not members of the association upon its registration.

13.3 Any application for renewal of license or registration certificate with the Commission of the member of a self-regulatory organization shall not be accepted unless accompanied by a certificate of good standing by their respective self-regulatory organization.

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13.4 Persons or entities newly issued a license or registration certificate to act as an insurance company, intermediary, mutual benefit association or other activities where a license or registration from the Commission is required shall, within 30 days from the date of the issuance of its license, apply as member of the self-regulatory organization in the group where they belong.

13.5 The self-regulatory organization shall also give the reasons for its recommendation either for granting of license or registration certificate or for refusal thereof by the Commission.

14. FUNCTIONS AND OBLIGATIONS OF SELF-REGULATORY ORGANIZATION

14.1 A self-regulatory organization shall always abide by the directions of the Commission.

14.2 The self-regulatory organization shall be responsible for investor protection and education of investors or its members and shall ensure observance of Insurance Code and applicable rules by its members.

14.3 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.

14.4 The self-regulatory organization may conduct inspection and audit of its members, which may be done, through independent auditors.

14.5 The self-regulatory organization shall submit its annual report to the Commission.

14.6 The self-regulatory organization shall treat all its members and the applications for membership in a fair and transparent manner.

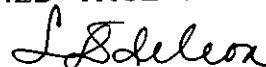
14.7 The self-regulatory organization may collect admission and membership fees from its members for carrying out the purposes of these Guidelines and the Insurance Code.

14.8 The self-regulatory organization shall promptly inform the Commission of violations of the provisions of the Insurance Code, the rules, the directions, the circulars or the guidelines by any of its members.

14.9 The self-regulatory organization may conduct screening and certification tests for its members, agents and such other persons as it may determine, except qualifying examination being conducted by the Commission, unless allowed by the Commission.

14.10 Self-regulatory organization shall conduct training programs for its members or agents and also conduct awareness programs for insurance market investors or customers.

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14.11 The self-regulatory organization shall make endeavors for introduction of best business practices among its members.

14.12 The self-regulatory organization shall act in utmost good faith and shall avoid conflict of interest in the conduct of its functions.

14.13 The self-regulatory organization shall comply with the norms of corporate governance as applicable to self-regulatory organization.

14.14 The self-regulatory organization may discharge such other functions and obligations as may be specified by the Commission, from time to time.

15. BY-LAWS OF SELF-REGULATORY ORGANIZATION

15.1 A self-regulatory organization may, subject to the previous approval of the Commission, make by-laws and articles consistent with the provisions of the Insurance Code and these Guidelines.

15.2 In particular, and without prejudice to the generality of the foregoing power, the by-laws or articles may provide for:

- (a) eligibility criteria for admission and removal of members from self-regulatory organization;
- (b) manner and the periodicity of furnishing information to the Commission and to its members;
- (c) arbitration mechanism for resolving disputes between members and/or between members and their constituents;
- (d) procedure for proceeding against the member committing breach of the by-laws or articles including provisions for suspension or expulsion of members from the self-regulatory organization;
- (e) internal control standards including procedure for inspection, auditing, reviewing, monitoring of its members by self-regulatory organization;
- (f) code of conduct specifying standards for its members in the conduct of business;
- (g) procedure for conduct of election of the Board of Directors and members of the committees;
- (h) obligation of members to supply such information or explanation and to produce such documents relating to the business as the Board of Directors may require;
- (i) manner of disciplinary action against its members by self-regulatory organization;

- (j) contents and format of the annual report;
- (k) procedure for conduct of the meetings, quorum etc of Board of Directors;
- (l) manner of maintaining accounts or records of the self-regulatory organization; and
- (m) reporting requirements to the Commission 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.

15.3 The by-laws or articles shall also provide that the contravention of any of the by-laws shall render the member of self-regulatory organization concerned liable to one or more of the following punishments, namely:

- (a) expulsion from membership;
- (b) suspension from membership for a specified period;
- (c) any other penalty of a similar nature not involving the payment of money.

15.4 Where the Commission considers it expedient to do so, it may, by order in writing, direct a self-regulatory organization to make any by-laws or to amend or revoke any of them within such period as it may specify in this behalf.


16. PRIOR APPROVAL OF THE COMMISSION OF THE PROPOSED RULE AND AMENDMENT

16.1 Each self-regulatory organization shall submit to the Commissioner for prior approval any proposed rule or amendment thereto, together with a concise statement of the reason and effect of the proposed amendment.

16.2 Within sixty (60) days after submission of a proposed amendment, the Commissioner shall, by order, approve the proposed amendment. Otherwise, the same may be made effective by the self-regulatory organization.

16.3 In the event of an emergency requiring action for the protection of the insuring public, a self-regulatory organization may put a proposed amendment into effect summarily: Provided, however, That a copy of the same shall be immediately submitted to the Commissioner.

16.4 The Commissioner is further authorized, if after making appropriate request in writing to a self-regulatory organization that such organization effect on its own behalf specified changes in its rules and practices and, after due notice and hearing, it determines that such changes have not been effected, and that such changes are necessary, by rule or regulation or by order, may alter, abrogate or supplement the


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rules of such self-regulatory organization insofar as necessary or appropriate to effect such changes in respect of such matters as:

- (a) Safeguards in respect of the financial responsibility of members and adequate provision against the evasion of financial responsibility through the use of corporate forms or special partnerships;
- (b) The supervision of market practices;
- (c) The manner, method and place of soliciting business;
- (d) The fixing of reasonable rates of fees, interest, and other charges, but not rates of commission; and self-regulatory organization; and
- (e) The supervision, auditing and disciplining of members.

17. POWERS OF THE COMMISSION

17.1 In addition to the general powers of the Commission over the entities under supervision, the Commission in the public interest and to protect the insuring public, after due notice and hearing, may:

- (a) Suspend for a period not exceeding twelve (12) months or revoke the registration of a self-regulatory organization;
- (b) Censure or impose limitations on the activities, functions and operations of such self-regulatory organization, if the Commission finds that such a self-regulatory organization has willfully violated or is unable to comply with any provision of this Code or of the rules and Guidelines thereunder, or its own rules, or has failed to enforce compliance therewith by a member of, person associated with a member, or a participant in such self-regulatory organization;
- (c) Expel from a self-regulatory organization any member thereof or any participant therein who is found to have willfully violated any provision of the Insurance Code;
- (d) Suspend for a period not exceeding twelve (12) months for violation of any provision of this Code or any other law administered by the Commission, or the rules and Guidelines thereunder, or effected, directly or indirectly, any transaction for any person who, such member or participant had reason to believe, was violating in respect of such transaction any of such provisions; and
- (e) Remove from office or censure any officer or director of a self-regulatory organization if it finds that such officer or director has violated any provision of this Code, any other law administered by the Commissioner, the rules or Guidelines thereunder and the rules of such self-regulatory organization, or has abused his authority, or without reasonable

justification or excuse has failed to enforce compliance with any of such provisions.

18. COMMISSION'S RIGHT TO INSPECT

18.1 Where it appears to the Commission to do so, it may appoint one or more persons as inspecting authority or examiner to undertake inspection of the books of accounts, other records and documents of the self-regulatory organization.

18.2 The purposes referred to in Sub-guidelines 18.1 shall be as follows, namely:

- (a) To ensure that the provisions of the Insurance Code, these Guidelines, the directions and the circulars issued by the Commission are being complied with;
- (b) To inquire into the complaints received from members, investors, customers or any other person on any matter having a bearing on the activities of the self-regulatory organization; or,
- (c) To inquire on its own, in the interest of insurance business or investors' or customers' interest, into the affairs of the self-regulatory organization.

19. PROCEDURE FOR INSPECTION

19.1 Before undertaking any inspection under Guideline 18, the Commission shall give a reasonable notice to the self-regulatory organization for that purpose.

19.2 Notwithstanding anything contained in Sub-guideline 19.1, where the Commission 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.

19.3 On being empowered by the Commission, the inspecting authority or examiner 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 Guideline 20.

20. OBLIGATIONS OF SELF-REGULATORY ORGANIZATION ON INSPECTION BY THE COMMISSION

20.1 It shall be the duty of the president, every director, officer and employee of the self-regulatory organization, who is being inspected to produce to the Commission or to any person authorized, such books, accounts and other documents in their custody or control and furnish to the Commission the statements and information relating to the activities of self-regulatory organization within such time as the Commission may require.

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20.2 The self-regulatory organization shall allow the Commission or any person authorized 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 person or examiner are relevant.

20.3 The examiner in the course of inspection shall be entitled to examine or record statements of the president, director, any officer, member and employee of the self-regulatory organization.

20.4 It shall be the duty of the president, every director, officer and employee of the self-regulatory organization to give to the inspecting authority or examiner all assistance in connection with the inspection, which the self-regulatory organization may reasonably be expected to give.

20.5 The examiner shall, as soon as possible, submit an inspection report to the Commission.

21. APPOINTMENT OF AUDITOR

21.1 Notwithstanding anything contained above, the Commission 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 examiner as mentioned in Guideline 18 and the obligations of self-regulatory organization shall be applicable to an inspection under this regulation.

21.2 The Commission 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.

22. POWER OF THE COMMISSION TO CALL FOR PERIODICAL RETURNS OR DIRECT INQUIRIES TO BE MADE

22.1 Every self-regulatory organization shall furnish to the Commission such periodical returns relating to its affairs as may be specified.

22.2 Every self-regulatory organization and every member thereof shall maintain and preserve for such periods such books of account and other documents as the Commission 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 Commission.

22.3 Without prejudice to the provisions contained in Sub-guideline (1) and (2), if the Commission is satisfied that it is in the interests of the customers or the public to do so, 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 Commission 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 Commission 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 Commission.

22.4 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:

- (a) The president, every director, 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 or examiner 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 or examiner such statement or information as he may require within such time as may be specified by him.

23. OBLIGATION OF BOARD OF DIRECTORS TO TAKE DISCIPLINARY ACTION AGAINST A MEMBER IF SO DIRECTED BY THE COMMISSION

23.1 After receiving the report of an Inquiry made under Guideline 22, the Commission 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 by-laws of the self-regulatory organization concerned, the Board of Directors of the self-regulatory organization shall give effect to the directions of the Commission and