

## SECTION 4

### DISCIPLINARY PROCEEDINGS

#### 4.1 General

Nothing in this Section shall be read or construed to mean that any action that the Clearing House is entitled to take under other provisions of these Rules must necessarily follow the procedure set out in this Section 4, unless such other provisions specifically state that the conduct of disciplinary proceedings under this Section 4 is a prerequisite to taking such action.

#### 4.2 Role of the Disciplinary Committee

The Disciplinary Committee is a body established under the Clearing House rules to oversee and conduct disciplinary proceedings against Clearing Members who breach or fail to comply with the rules, circulars, guidelines, or obligations set by the Clearing House. The Disciplinary Committee shall hear, investigate and decide on the matters specified in terms of these Rules, pursuant to a referral made by the Chief Executive Officer of the Clearing House and report its findings to the Board of Directors.

#### 4.3 Grounds for Disciplinary Action

The Clearing House may take disciplinary action against a Clearing Member ***for any breach of or failure or refusal to adhere to any provision of these Rules and/or any circulars or operational/procedural Guidelines issued or requirements stipulated by the Clearing House thereunder, including any failure to meet any payment obligations under these Rules and/or provide notifications to the Clearing House as required in terms of these Rule or in*** respect of any ***other*** conduct, act and/or omission in its capacity as a Clearing Member of the Clearing House. Such ***other*** conduct, acts and/or omissions in respect of which disciplinary action may be taken, shall include, without limitation, the following:

- a) Any matter with respect to which disciplinary action is required to be taken by the Clearing House under provisions of these Rules;
- b) Any failure or refusal to act in accordance with decisions and/or determinations made by the Clearing House in respect of Securities traded on the CSE;
- c) Any breach of the Clearing Member's agreements with the Clearing House;
- d) Any error, delay or other conduct of the Clearing Member which may be detrimental to the business and operations of the Clearing House;
- e) For not providing adequate facilities for the Clearing Member's business with the Clearing House, and

- f) If the Clearing Member fails to meet standards of conduct reasonably expected of a Clearing Member.

#### **4.4 Disciplinary Committee**

- 4.4.1 The Disciplinary Committee (referred to herein as the "Committee") shall consist of three (3) directors of the Clearing House.**
- 4.4.2 The quorum for a meeting of the Committee shall be at least two (2) directors to be present during the entire proceedings.**
- 4.4.3 The Committee may appoint experts and any other external parties to assist it in conducting and carrying out its disciplinary proceedings.**
- 4.4.4 The Committee shall schedule a date, time and place for hearings of which the parties involved shall be given reasonable notice.**
- 4.4.5 Members of the Committee shall notify the Board of Directors before any hearing of any possible conflicts of interest and abstain from participating in such proceedings.**

#### **4.5 Procedure**

##### **4.5.1 Notice of Charges**

***The Committee shall give Clearing Members written notice setting out particulars of the charges against the Clearing Members.***

##### **4.5.2 Response to a Charge**

- (a) A Clearing Member who receives a notice under Rule 4.4.1 above may submit its explanations to the charges within [twenty - one (21)] days from the date of the notice.**
- (b) If a Clearing Member fails to submit its explanations within twenty-one (21) days from the date of the notice of charge, the Committee shall continue with the proceedings as they deem fit.**

##### **4.5.3 Legal Representation before the Committee**

***Parties noticed by the Committee may be represented by an Attorney-at-Law provided that the Committee is given notice in writing of the name of the Attorney-at-Law at least seven (07) days prior to the hearing.***

##### **4.5.4 Evidence**

***Each party may examine and take copies of the evidence which the other party intends to rely on at the hearing.***

#### **4.5.5 Witnesses, Examination and Cross Examination**

**(1) The parties may:**

- (a) request the attendance of a witness; and**
- (b) request the Committee to permit the parties to examine and cross examine witnesses.**

**(2) The Committee may, in its absolute discretion:**

- (a) call for the attendance of any witness; and**
- (b) allow a request for the attendance of a witness or the parties to examine and cross-examine witnesses.**

***Provided however, if disallowing the attendance of a witness or preventing the parties from examining or cross examining a witness could lead to the prevention of facts in issue from surfacing; then the Committee shall not disallow the attendance of any such witness nor prevent the witness from being examined or cross examined.***

**(3) The Committee may decide on the method of taking evidence, the adjournment and reconvening of proceedings, as it thinks fit except where expressly provided otherwise in these Rules.**

#### **4.5.6 The Committee's Deliberation**

***Unless permitted in writing by the Committee, the parties to the proceedings shall not be present during the deliberation of a charge by the Committee.***

#### **4.5.7 Decision of the Committee**

***The Committee shall submit its decision in writing with reasons to the Board of Directors.***

#### **4.5.8 Interim Measures**

Nothing in this Rule 4 shall prevent the Clearing House from taking any action including taking of any disciplinary action against the Clearing Member as interim measures pending the initiation and/or conclusion of the disciplinary proceedings by the Committee, if the Board of Directors is of the view that any such action is required to be taken to uphold the integrity and/or stability of the Securities market and/or public faith and confidence in the credibility of the market pending the initiation and/or conclusion of the disciplinary proceedings.

#### **4.6 Determination of the Clearing House**

**4.6.1 If the Clearing Member is found guilty of a charge,** the Clearing House shall be entitled to take any disciplinary action that it may deem appropriate against a Clearing Member, which may include, without limitation, expulsion, suspension, limitation of or

restriction of activities, functions and/or operations, specific performance, warning, reprimand and/or imposition of fines or payment of costs as determined by the Clearing House.

- 4.6.2 Any determination made by the Clearing House in accordance with Rule 4.5.1, with regard to the disciplinary action taken against a Clearing Member shall be communicated in writing to the Clearing Member by the Clearing House and such determination shall be effective immediately upon delivery (in terms of these Rules) of such communication to the Clearing Member by the Clearing House.
- 4.6.3 Failure by the Clearing Member to comply with any such determination (or part thereof) made by the Clearing House under and in terms of this Rule 4.5, shall entitle the Clearing House to take further disciplinary action, in addition to those already imposed, as the Clearing House may deem fit, without any further opportunity of whatsoever nature being provided to the Clearing Member to show cause or present its case. Such further disciplinary action shall be communicated in writing to the Clearing Member and the SEC by the Clearing House, and the Clearing House may publish its decision in the website of the Clearing House (together with such details as the Clearing House thinks appropriate) and such action shall become effective immediately upon the Clearing House dispatching such communication to the Clearing Member.
- 4.6.4 Where the operation or effectiveness of any determination (or part thereof) of the Clearing House is halted, suspended and/or delayed pursuant to any lawful interim order or decision of the SEC or otherwise such determination (or part thereof) shall be deemed to take effect immediately upon such interim order or decision lapsing or being set aside. Provided however that the Clearing House shall be entitled to make, at its sole discretion, necessary amendments to its original determination only to address any matters, ramifications, issues and/or concerns that may affect the implementation of such determination (or part thereof) due to the halt, suspension and/or delay of the operation or effectiveness of such determination. Upon making such amendments, the Clearing Member shall be notified in writing by the Clearing House.
- 4.6.5 Without prejudice to the discretion available to the Clearing House to impose appropriate disciplinary measures and to determine the extent thereof, if the Clearing House decides to suspend a Clearing Member, the Clearing House may direct such Clearing Member to carry out any of the following actions with notice to the SEC and the Clearing Member shall be obliged to comply with and adhere to such direction:
- (i) to discharge its obligations which it had incurred prior to such suspension,
  - (ii) to do and carry out things as may be necessary to comply with other requirements of the determination made by the Clearing House; and/or
- to comply with any other requirements as may be imposed by the Clearing House.

#### **4.7 Payment of costs**

**4.7.1 The Committee may require the parties to pay the costs of the investigation, inspection or hearing as determined by it.**

**4.7.2 Costs under Rule 4.6.1 shall be paid by the parties within fourteen (14) days' notice thereof.**

***4.7.3 If costs referred to herein remain unpaid for more than seven (7) Market Days after the due date, the Clearing Member status of the defaulting Clearing Member may be suspended by the Clearing House until it makes full payment of such costs.***