

SECTION 3 RESOLUTION OF DISPUTES VIA THE DISPUTE RESOLUTION PANEL

3.1 Referrals to the Dispute Resolution Panel

- (a) The following types of disputes shall be referred to and resolved by the Dispute Resolution Panel in terms of these Rules:
 - i. Disputes between Trading Participants and Clients in terms of Rule 2.3 of these Rules;
 - ii. Disputes between two (2) or more Trading Participants;
 - iii. Disputes between Trading Participants and the CSE, Central Depository - CDS and the Clearing House – CDS;
 - iv. Disputes between Listed Entities and the CSE;
 - v. Disputes between a Depository Participant and the Central Depository – CDS;
 - vi. Disputes between two (2) or more Depository Participants;
 - vii. Disputes between a Clearing Member and the Clearing House – CDS;
 - viii. Disputes between two (2) or more Clearing Members; and,
 - ix. Disputes between a Trading Participant and/or Depository Participant and/or Clearing Member.
- (b) All referrals to the Dispute Resolution Panel shall be made in accordance with the procedure approved by the Board of Directors of the CSE and published on the website of the CSE.

3.2 Composition of the Dispute Resolution Panel

- 3.2.1 The CSE shall have a Dispute Resolution Panel consisting of ten (10) members appointed by the Board of Directors of the CSE with concurrence of the SEC. The members shall comprise of persons meeting the following qualifications and each member shall be appointed for a period of three (3) years:
 - (a) three (03) Attorneys-at-Law having a minimum fifteen (15) years' experience in the legal profession;
 - (b) three (03) Accounting Professionals, who are Members of a recognized Accounting Body having a minimum of fifteen (15) years' experience in the profession;
 - (c) two (02) experts in the field of Information Technology having a minimum of fifteen (15) years' experience; and
 - (d) two (02) independent personnel having a minimum of fifteen (15) years' experience in the Sri Lankan capital market.

3.2.2 At the end of the said period of three (3) years, the members of the Dispute Resolution Panel may be eligible for reappointment.

3.2.3 No member shall serve for more than three (3) terms.

Provided however, a member of a Panel for Hearing shall continue as a Panel member until any ongoing proceedings of a referral have been finalized irrespective of the fact that such member's term of service has expired in terms of this Rule in the course of such proceedings.

3.3 Vacancy in the Dispute Resolution Panel

3.3.1 A member of the Dispute Resolution Panel shall cease to hold office if such person is unable to perform the functions of that office due to permanent disability or illness, resignation or death or is deemed by the Board of the CSE (in consultation with the SEC) to be not fit and proper to hold such office.

3.3.2 If a member ceases to hold office a replacement shall be appointed in the same manner as the member to be replaced was appointed.

3.4 Panel for Hearing – the Composition

3.4.1 The Secretariat of the CSE shall select a Panel for Hearing for each complaint from the Dispute Resolution Panel.

3.4.2 In selecting the Panel for Hearing, the Secretariat of the CSE shall give the option to the parties to the dispute for the Panel for Hearing to comprise of either a single member or three (03) members.

3.4.3 The Secretariat of the CSE shall ensure that the Panel for Hearing consists of members of the Dispute Resolution Panel who have the independence, expertise and qualifications for determining the issues to the dispute.

3.4.4 Provided further that if the CSE or any of its subsidiaries are a party to a dispute, the Claimant shall be granted the option of nominating a person who possesses the minimum standards set out in Rule 3.2.1 who is outside of the Dispute Resolution Panel as its nominee member to the Panel for Hearing. Upon such nomination, the Secretariat of the CSE shall nominate a second member from the Dispute Resolution Panel. The said two (02) nominees shall then agree on a Chairperson for the Panel for Hearing from the other members of the Dispute Resolution Panel.

3.4.5 Subject to Rule 3.4.4, the Chairperson of the Panel for Hearing shall be selected from among the members of the Panel for Hearing by the Secretariat of the CSE.

3.5 General obligations of the Panel for Hearing

3.5.1 Members of the Panel for Hearing shall not tender any advice to any party with regard to the subject matter of the referral.

3.5.2 The members of the Panel for Hearing shall:

- (a) not have any financial interest in the subject matter of the referral;
- (b) disclose in writing to the Secretariat of the CSE any facts or circumstances which might give rise to reasonable doubts as to his/her independence or impartiality regarding:

- i. existing and/or past professional or personal relationships with any Party, and/or any
 - ii. previous involvement in a matter of which the subject matter of the referral forms a part
- (c) not solicit, accept or receive (directly or indirectly) any gift, gratification, commission or anything of value from any party except the sitting fee that is due to a member of the Panel for Hearing.

3.6 Independence and Impartiality

3.6.1 If a member of the Panel for Hearing:

- (a) discloses to the Secretariat of the CSE any circumstances which are likely to give rise to reasonable doubts as to such members' impartiality or independence; and/or,
- (b) is unable to serve on a Panel for Hearing due to such lack of independence and impartiality,

a substitute member shall be appointed in terms of Rule 3.9.1 of these Rules.

3.6.2 All members of the Panel for Hearing shall sign a declaration of independence and impartiality at the point of appointment to a Panel for Hearing and they shall at all times declare to the Secretariat of the CSE any conflict of interest which may arise/exists in the course of the dispute resolution process.

3.6.3 A party to a referral may object to the appointment of any member to the Panel for Hearing on grounds that such person is not independent in a written objection setting out the basis of such objection.

3.7 Removal of a member of the Panel for Hearing

3.7.1 A person who has been appointed to the Panel for Hearing may be removed by the Secretariat of the CSE for breach of obligations in terms of these Rules or upon being satisfied that an objection made by a party to such member being on the Panel for Hearing is justified.

3.7.2 If a member of the Panel for Hearing is removed, a substitute member shall be appointed in terms of Rule 3.9 of these Rules.

3.8 Confidentiality of information

The Panel for Hearing shall keep all deliberations and decisions made in the course of the referral, all material forwarded for the purpose of the referral and all other documents produced by another party in the course of the referral not otherwise in the public domain strictly confidential, save and except to the extent that disclosure may be required of a party by legal duty, to protect or pursue a legal right, or to enforce or challenge a decision in legal proceedings before a Court or other legal authority.

3.9 Replacement of a member of the Panel for Hearing

- 3.9.1 If a member appointed to a Panel for Hearing declines to act or is unable to act as a result of resignation or removal, disability, illness or death, a replacement shall be appointed in the same manner the member to be replaced was appointed.
- 3.9.2 Such replacement shall be made by the Secretariat of the CSE within seven (07) days from the occurrence of the event/s referred to in Rule 3.9.1 above.

3.10 Resumption of proceedings

If a member of the Panel for Hearing is replaced after commencement of a hearing, such proceedings shall continue with the adoption of the proceedings to that point unless the Panel for Hearing decides otherwise.

3.11 The procedure to be followed at the hearing of the referral

- 3.11.1 The Panel for Hearing shall adopt the procedure approved by the Board of Directors of the CSE and hosted on the website of the CSE at hearings referrals. Provided that the Panel for Hearing may, if circumstances require, and with the consent of the parties, adapt procedures to suit particular hearings.
- 3.11.2 Notwithstanding any other provision herein the Panel for Hearing may at its discretion invite any experts to assist and advise it in any hearing on subject matter for determination.
- 3.11.3 The Panel for Hearing shall endeavor to conclude hearings of disputes within a reasonable period of time from the date of the commencement of the proceedings.

3.12 Settlement of the dispute

If during a proceeding, the parties agree to settle the dispute:

- (a) the Panel for Hearing shall record the settlement and conclude the hearing; and,
- (b) the parties to the dispute shall deemed to have withdrawn the referral made to the Panel for Hearing.

3.13 Determinations of the Panel for Hearing

- 3.13.1 The determination made by the Panel for Hearing shall be by majority decision. Such determinations shall be reduced to writing and signed by all the members of the Panel for Hearing. Unless dispensed with by the mutual consent of the parties to the dispute, the determination shall contain reasons for such determination. Copies of such determination shall be issued to the Parties, the CSE and the SEC by the Chairperson of the Panel for Hearing within seven (07) days of it being signed by all the members of the Panel for Hearing.
- 3.13.2 Every determination of a Panel for Hearing shall be final and binding on the parties to the dispute unless an appeal is made therefrom to the SEC against such determination within twenty one (21) days of such determination being issued to the parties.
- 3.13.3 A determination shall be complied with by the respective party/ parties within the time period specified in such determination.

3.14 Withdrawal of a Referral made to the Dispute Resolution Panel

- 3.14.1 A Claimant may withdraw a referral made to the Dispute Resolution Panel at any time by way of a written request to the Secretariat of the CSE, giving reasons for such withdrawal. The Secretariat of the CSE shall communicate such a request to the Chairperson of the Panel of Hearing.
- 3.14.2 The Panel for Hearing may permit the withdrawal of a referral in terms of Rule 3.14.1, subject to the Claimant fulfilling all its accrued obligations towards the CSE arising from the making of the complaint.

3.15 Sitting Fees payable to the Panel

- 3.15.1 The sitting fee payable to each member of the Panel for Hearing shall be as determined by the Board of the CSE from time to time and published on the website of the CSE.
- 3.15.2 The sitting fees of members of a Panel for Hearing shall be borne by the parties to the dispute in equal proportions and payable within two (02) days prior to each sitting.

Provided that the Panel for Hearing shall have the discretion to make an order that any party against whom an award is made shall bear the entirety of the sitting fees payable to all of the members of the Panel for Hearing if it determines that complaint is frivolous or unreasonable.

- 3.15.3 The Panel for Hearing may require the party making the referral to the Dispute Resolution Panel to deposit with the CSE a security in the form of a cash deposit as determined by such Panel, prior to the commencement of referral proceedings.
- 3.15.4 Upon the determination of the referral, the deposit referred to in Rule 3.15.3 shall be returned to the party making the referral, upon deducting any outstanding amount payable by such party in terms of these Rules.
- 3.15.5 All administrative costs of the proceedings (other than sitting fees) in relation to referrals shall be borne by the CSE.

3.16 Secretary to the Dispute Resolution Panel

The Company Secretary of the CSE shall act as the Secretary to the Dispute Resolution Panel and shall attend to all administrative and secretarial matters in the application of these Rules.