

SECTION 12

DISCIPLINARY PROCEEDINGS

12.1 General

Nothing in this Section shall be read or construed to mean that any action that the CDS is entitled to take under other provisions of these Rules must necessarily follow the procedure set out in this Section 12, unless such other provisions specifically state that the conduct of disciplinary proceedings under this Section 12 is a prerequisite to taking such action.

12.2 Grounds for Disciplinary Action

The CDS may take disciplinary action against a Depository Participant in respect of any conduct, act and/or omission in its capacity as a Depository Participant. Such conduct, acts and/or omissions in respect of which disciplinary action may be taken, shall include, without limitation, the following:

- a. Any breach of or failure to adhere to any provision of these Rules and/or any determinations made, or requirements stipulated by the CDS, including any failure to provide notifications to the CDS as required in terms of these Rules;
- b. Any breach of or failure to adhere to Applicable Requirements;
- c. Any matter with respect to which disciplinary action is required to be taken by the CDS under provisions of these Rules;
- d. Any failure or refusal to act in accordance with any procedures or processes of the CDS whether made in terms of these Rules or circulars, operational guidelines and procedures issued by the CDS;
- e. Any failure or refusal to act in accordance with decisions and/or determinations made by the CDS in respect of Securities traded on the CSE;
- f. Any breach of the Depository Participant's agreements with the CDS;
- g. Any error, delay or other conduct of the Depository Participant which may be detrimental to the business and operations of the CDS;
- h. For not providing adequate facilities for the Depository Participant's business with the CDS, and
- i. Any conduct unbecoming of a Depository Participant in respect of Securities traded on the CSE.

12.3 Procedure

- (a) The CDS shall be entitled to determine the procedure to be followed by the CDS in taking disciplinary action against the Depository Participant at its sole

discretion so long as such procedure provides the Depository Participant with adequate opportunity to show cause.

Provided that nothing in this Rule shall prevent the CDS from taking any action including of any disciplinary action against the Depository Participant as interim measures pending the initiation and/or conclusion of the disciplinary proceedings, if the CDS 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.

- (b) Without prejudice to the generality of the provisions of Rule 12.3 (a), the CDS may appoint committee(s) consisting of officers of the CDS and/or external persons (whom the CDS, at its sole discretion, consider as necessary in conducting its disciplinary proceedings) to hear and determine any matter of disciplinary nature.

12.4 Determination of the CDS

- (a) The CDS shall be entitled to take any disciplinary action that it may deem appropriate against a Depository Participant, 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 CDS.
- (b) Any determination made by the CDS in accordance with Rule 12.3, with regard to the disciplinary action taken against a Depository Participant shall be communicated in writing to the Depository Participant by the CDS and such determination shall be effective immediately upon delivery (in terms of these Rules) of such communication to the Depository Participant.
- (c) Failure by the Depository Participant to comply with any such determination (or part thereof) made by the CDS under this Section 12, shall entitle the CDS to take further disciplinary action, in addition to those already imposed, as the CDS may deem fit, without any further opportunity of whatsoever nature being provided to the Depository Participant to show cause or present its case. Such further disciplinary action shall be communicated in writing to the Depository Participant by the CDS and such action shall become effective immediately upon the CDS dispatching such communication to the Depository Participant.
- (d) Where the operation or effectiveness of any determination (or part thereof) of the CDS 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 that the CDS shall be entitled to make, at its sole discretion, necessary amendments to its original determination 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 Depository Participant shall be notified in writing by the CDS.

- (e) Without prejudice to the discretion available to the CDS to impose appropriate disciplinary measures and to determine the extent thereof, if the CDS decides to suspend a Depository Participant, the CDS may direct such Depository Participant to carry out any of the following actions and the Depository Participant 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 facilitate the transfer of Securities of clients held in Client Accounts maintained by the Depository Participant to Client Accounts maintained with other Depository Participant/s;
 - (iii) to do and carry out such things as may be necessary to comply with other requirements of the determination made by the CDS; and/or
 - (iv) to comply with any other requirements as may be imposed by the CDS.

12.5 Notification to the CSE and SEC

Where any disciplinary action taken by the CDS results in the CDS deciding to not give effect to any transactions of a Depository Participant on behalf of Account Holders/s and on its own account, the CDS shall issue a written notification of such decision to the CSE and SEC.