

SECTION 8

DISCIPLINARY PROCEEDINGS

8.1 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 8, unless such other provisions specifically state that the conduct of disciplinary proceedings under this Section 8 is a prerequisite to taking such action.

8.2 Grounds for Disciplinary Action

The Clearing House may take disciplinary action against a Clearing Member in respect of any conduct, act and/or omission in its capacity as a Clearing Member of the Clearing House. 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 Clearing House thereunder, including any failure to provide notifications to the Clearing House as required in terms of these Rules;
- b) Any breach of or failure to adhere to Circulars and Operational guidelines and procedures issued by the Clearing House;
- c) Any matter with respect to which disciplinary action is required to be taken by the Clearing House under provisions of these Rules;
- d) Any failure or refusal to act in accordance with any procedures or processes of the Clearing House whether made in terms of these Rules or otherwise;
- e) 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;
- f) Any breach of the Clearing Member`s agreements with the Clearing House;
- g) Any error, delay or other conduct of the Clearing Member which may be detrimental to the business and operations of the Clearing House;
- h) For not providing adequate facilities for the Clearing Member`s business with the Clearing House, and
- i) If the Clearing Member fails to meet standards of conduct reasonably expected of a Clearing Member.

8.3 Procedure

- 8.3.1 The Clearing House shall be entitled to determine, on a case by case basis or otherwise and at its sole discretion, the procedure to be followed by the Clearing House in taking disciplinary action against the Clearing Member so long as such procedure provides the Clearing Member with adequate opportunity to show cause or present its case.

Provided that nothing in this Rule 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, if the Clearing House 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.

- 8.3.2 Without prejudice to the generality of the provisions of Rule 8.3.1, the Clearing House may appoint any committee consisting of officers of the Clearing House and/or external persons (whom the Clearing House, at its sole discretion, considered as necessary in conducting its disciplinary proceedings) in order for the Clearing House to hear and determine any matter of disciplinary nature.

8.4 Determination of the Clearing House

- 8.4.1 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.

- 8.4.2 Any determination made by the Clearing House in accordance with Rule 8.4.1, 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.

- 8.4.3 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 8.4, 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 CDS (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.

- 8.4.4 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.

8.4.5 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.