

Chapter 10

Enforcement of Rules

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1001. Enforcement of Rules

1001.1 In order to ensure compliance with these Rules (including these Exchange Rules and the Depository Account Rules) and any applicable law, the Exchange and/or the Book Depository shall, at their discretion and under conditions of confidentiality, have the powers to:

- (a) inspect and audit the accounts, books, contracts, trading information and any other documents or records of a Member;
- (b) immediately, and at any time, access and/or take copies (originals, hard copies, soft copies or otherwise) of the relevant accounts, books, contracts, trading information and any other documents or records of a Member;
- (c) immediately, and at any time, request a Member to produce such accounts, books, contracts, trading information, documents or records (originals, hard copies, soft copies or otherwise); and
- (d) conduct such investigation as it considers necessary or expedient (i) to investigate an alleged or suspected contravention of these Rules, (ii) where there is a dispute between Members and/or Registered Persons, or (iii) where any Member, any Registered Person or any Member's related corporation / entity, director, partner, officer, employee, representative or agent is the subject of a complaint to the Exchange and/or the Book Depository.

1001.2 Members, Registered Persons and any Members' related corporations / entities, directors, partners, officers, employees, representatives and agents shall co-operate fully with the Exchange and/or the Book Depository in all inspections, audits and investigations conducted by the Exchange and/or the Book Depository, whether or not they are the person(s) under inspection, audit or investigation. In particular, Members, Registered Persons and any Members' related corporations / entities, directors, officers, servants, partners, employees, representatives and agents shall:

- (a) grant the Exchange and/or the Book Depository access to their premises to carry out on-site inspections during normal business hours;
- (b) attend interviews conducted by the Exchange and/or the Book Depository, and provide such signed statements or statements on oath if necessary, and to answer any question or explain any matter that the Exchange and/or Book Depository may request; and
- (c) make available to the Exchange and/or the Book Depository any documents, records or information (originals, hard copies, soft copies or otherwise) as may be requested by the Exchange and/or the Book Depository.

1001.3 The Exchange and/or the Book Depository, where satisfied that a Member or a Registered Person has contravened these Rules or the Depository Account Rules, may:

- (a) issue a letter of warning to the Member or the Registered Person – after issuance of the letter of warning, the Exchange and/or the Book Depository shall not take any further action against the Member or the Registered Person concerned for the relevant contravention;
- (b) make an offer of composition to the Member or the Registered Person – an offer of composition may, other than the composition sum, include any other terms as appropriate; upon payment of the composition sum as determined by the Exchange and/or the Book Depository and satisfaction of any other terms of the offer of

composition, the Exchange and/or the Book Depository shall not take any further action against the Member or the Registered Person concerned for the relevant contravention;

- (c) where the Exchange and/or the Book Depository deems summary enforcement of these Rules or the Depository Account Rules to be appropriate, reprimand or impose a fine not exceeding US\$5,000 on the Member or the Registered Person for each contravention of these Rules or the Depository Account Rules; or
- (d) charge the Member or the Registered Person before the Disciplinary Committee.

1001.4 Where the Exchange and/or the Book Depository has proceeded with summary enforcement of these Rules or the Depository Account Rules in accordance with Rule 1001.3(c) above, the Exchange and/or the Book Depository shall notify the Member or the Registered Person concerned in writing of the decision and the reasons for the decision. If the Member or the Registered Person concerned is not satisfied with the decision of the Exchange and/or the Book Depository, the Member or the Registered Person concerned may object in writing to the Exchange and/or the Book Depository within 2 weeks of receipt of the decision from the Exchange and/or the Book Depository, stating the reasons for its or his dissatisfaction. Upon receipt of such objection in writing, the Exchange and/or the Book Depository may:

- (a) maintain the reprimand and/or fine imposed under Rule 1001.3(c) above;
- (b) withdraw the reprimand and/or fine imposed under Rule 1001.3(c) above, and instead issue a letter of warning, make an offer of composition to the Member or Registered Person concerned or take no further action;
- (c) reduce the fine imposed under Rule 1001.3(c) above; or
- (d) charge the Member or the Registered Person concerned before the Disciplinary Committee in accordance with Rule 1003 below.

For the avoidance of doubt, where the Member or the Registered Person concerned does not object in writing within 2 weeks of receipt of a decision of the Exchange and/or the Book Depository made pursuant to Rule 1001.3(c) above, the Member or the Registered Person concerned shall be deemed to have accepted the reprimand or fine imposed under Rule 1001.3(c) above.

1001.5 Where any act or omission of the Member or the Registered Person concerned is alleged to constitute a contravention of both these Exchange Rules and the Depository Account Rules, the Exchange and the Book Depository may jointly charge the Member or the Registered Person concerned for a contravention of these Exchange Rules, or the Exchange and the Book Depository may separately charge the Member or the Registered Person concerned for the contravention of these Exchange Rules and the Depository Account Rules respectively, provided that no Member or Registered Person shall be liable to be punished twice for the same contravention.

1002. Disciplinary Committee

1002.1 Any charge brought by the Exchange and/or the Book Depository against a Member or a Registered Person for contravention of these Rules shall be heard and decided by the Disciplinary Committee.

1002.2 The Board of the Exchange shall appoint the members of the Disciplinary Committee, provided that no person shall be appointed to the Disciplinary Committee if the person is or was within

the last 3 years an officer, director, employee of the Exchange and/or the Book Depository or their related corporations / entities.

- 1002.3 The Disciplinary Committee may establish its own procedural rules, provided that such procedural rules are consistent with these Rules and with the rules of natural justice. In establishing its own procedural rules, the Disciplinary Committee shall have regard to the practice and procedures of the courts of Singapore.
- 1002.4 The members of the Disciplinary Committee shall treat all information obtained in the course of any proceedings before the Disciplinary Committee as confidential.
- 1002.5 No claim, suit or other legal proceedings, or liability, whether in contract, tort or otherwise, shall lie personally against any member of the Disciplinary Committee for anything which is in good faith done or intended to be done in the execution or purported execution of these Rules.

1003. Proceedings of the Disciplinary Committee

- 1003.1 Where the Exchange and/or the Book Depository has decided to charge a Member or a Registered Person before the Disciplinary Committee, the Exchange and/or the Book Depository shall provide the Member or the Registered Person being charged with a written charge which sets out the particulars of the charge, and shall refer the charge to the Disciplinary Committee.
- 1003.2 A defence may be submitted by the Member or the Registered Person being charged to the Exchange and/or the Book Depository, and the Disciplinary Committee within 2 weeks from the date of the written charge; and
- 1003.3 A response to the defence may be issued by the Exchange and/or the Book Depository to the Member or the Registered Person being charged and the Disciplinary Committee within 2 weeks from the date of receipt of the defence.
- 1003.4 The Member or the Registered Person being charged, or the Exchange and/or the Book Depository may submit a written request to the Disciplinary Committee to extend any of the timelines prescribed in Rule 1003.2 and Rule 1003.3 above, provided that such written request is submitted at least 3 Business Days before the expiry of the relevant timeline. The written request shall state the reasons for the request. Upon receipt of the written request, the Disciplinary Committee may, at its discretion, extend the relevant timeline.
- 1003.5 After the Member or the Registered Person being charged has had the opportunity to submit a defence and after the Exchange and/or the Book Depository has had the opportunity to issue a response to the defence, the Disciplinary Committee shall determine a date, time and place for the Disciplinary Committee hearing. A Disciplinary Committee hearing shall have a quorum of at least 3 members, who will be nominated by the Disciplinary Committee. Members of the Disciplinary Committee shall declare if they have any interest in the charge being considered at such hearing, and any member of the Disciplinary Committee with any such interest shall not be nominated to form the quorum for the hearing. The Exchange and/or the Book Depository and the Member or the Registered Person being charged shall be given at least 2 weeks' notice of (i) the date, time and place for the hearing, (ii) the procedure for the conduct of the hearing, and (iii) the members of the Disciplinary Committee who will form the quorum for the hearing.
- 1003.5 At the Disciplinary Committee hearing, the Exchange and/or the Book Depository shall have the right to present its case, adduce evidence, call witnesses and cross-examine the witnesses of the Member or the Registered Person being charged. The Member or the Registered Person

being charged shall have the right to present its defence, adduce evidence, call witnesses and cross-examine the witnesses of the Exchange and/or the Book Depository.

- 1003.6 The Disciplinary Committee may, in its discretion, admit any evidence, whether oral or written, as may be appropriate and regardless of whether the same would be admissible in a court of law.
- 1003.7 Hearings of the Disciplinary Committee shall be held in private, unless otherwise agreed by the Exchange and/or the Book Depository and the Member or the Registered Person being charged.
- 1003.8 Subject to Rule 1004.7 below, the Exchange and/or the Book Depository and the Member or the Registered Person being charged shall treat all information obtained in the course of any proceedings before the Disciplinary Committee as confidential.
- 1003.9 Notwithstanding that the Member or the Registered Person being charged does not submit a defence to the charge, the Exchange and/or the Book Depository does not issue a response to the defence, or the Member or the Registered Person being charged is not present at the hearing, the Disciplinary Committee may, provided that a written charge and a notice of the hearing have been served on the Member or the Registered Person being charged, proceed to hear a charge and exercise any of its powers, including the power to impose sanctions under Rule 1004.3 below.

1004. Decision of the Disciplinary Committee

- 1004.1 The Disciplinary Committee shall make a finding that the Member or the Registered Person being charged has contravened these Rules or the Depository Account Rules only if the Exchange and/or the Book Depository has proved on a balance of probabilities that the Member or the Registered Person being charged has committed the conduct described in the charge.
- 1004.2 Where the Disciplinary Committee makes a finding that the Member or the Registered Person being charged has contravened these Rules or the Depository Account Rules, it shall provide the Exchange and/or the Book Depository and the Member or the Registered Person being charged with an opportunity to submit representations before determining the sanction to be imposed on the Member or the Registered Person concerned.
- 1004.3 The Disciplinary Committee may impose one or more of the following sanctions on a Member or a Registered Person who has contravened these Rules or the Depository Account Rules:
- (a) issuing a public reprimand to the Member or the Registered Person concerned;
 - (b) imposing a penalty not exceeding US\$50,000 on the Member or the Registered Person concerned for each contravention of these Rules;
 - (c) imposing conditions on the continued participation of the Member or the Registered Person concerned on the Exchange Systems, on the continued membership of the Member concerned or on the continued registration of the Registered Person concerned;
 - (d) prohibiting the chief executive officer, any director or any member of the senior management of the Member concerned from being involved in the day-to-day management of the business of the Member;
 - (e) suspending the Member or the Registered Person concerned;
 - (f) expelling the Member or the Registered Person concerned;

- (g) appointing an independent manager to manage the business of the Member concerned; or
- (h) requiring the Member concerned to appoint an external auditor accredited or recognized by an accounting body in its country of incorporation/registration/operation to review its internal controls, to review whether its Registered Persons meet the Fit and Proper Criteria, or for any other specified purpose, and to provide a copy of the report of such external auditor to the Exchange and/or the Book Depository upon request.

1004.4 The Disciplinary Committee shall take into account the following factors when determining the appropriate sanction to impose on a Member or a Registered Person who has contravened these Rules or the Depository Account Rules:

- (a) whether the sanction is proportionate to the seriousness of the conduct of the Member or the Registered Person concerned;
- (b) the consequences of the conduct of the Member or the Registered Person concerned;
- (c) the intention of the Member or the Registered Person concerned when committing the conduct; and
- (d) any other relevant factor.

1004.5 The decision of the Disciplinary Committee, following deliberation, may be delivered in writing, or orally.

1004.6 The Disciplinary Committee shall provide the written grounds of its decision to the Exchange and/or the Book Depository and the Member or the Registered Person being charged.

1004.7 The Exchange and/or the Book Depository may notify all Members of any decision of the Disciplinary Committee, including any sanctions imposed on the Member or the Registered Person concerned, and may publish the written grounds of any decision of the Disciplinary Committee by any means the Exchange and/or the Book Depository thinks fit.

1004.8 The Members consent to the Exchange and/or the Book Depository notifying all other Members of any decision of the Disciplinary Committee and publishing the written grounds of any decision of the Disciplinary Committee.

1005. Right of Appeal

1005.1 The Exchange and/or the Book Depository or the Member or the Registered Person being charged may, if not satisfied with any decision of the Disciplinary Committee, appeal to the Appeals Committee against the decision of the Disciplinary Committee in accordance with the procedures set out in Rule 1008 below, on one or more of the following grounds of appeal:

- (a) any error in law;
- (b) any error in fact;
- (c) that the sanction imposed is manifestly excessive or manifestly inadequate.

1006. Appeals Committee

1006.1 Appeals arising from decisions of the Disciplinary Committee shall be heard and decided by the Appeals Committee.

- 1006.2 The Board of the Exchange shall appoint the members of the Appeals Committee, provided that no person shall be appointed to the Appeals Committee if the person is or was within the last 3 years an officer, director, employee of the Exchange and/or the Book Depository or their related corporations / entities.
- 1006.3 The Appeals Committee may establish its own procedural rules, provided that such procedural rules are consistent with these Rules and with the rules of natural justice. In establishing its own procedural rules, the Appeals Committee shall have regard to the practice and procedures of the courts of Singapore.
- 1006.4 The members of the Appeals Committee shall treat all information obtained in the course of any proceedings before the Appeals Committee as confidential.
- 1006.5 No claim, suit or other legal proceedings, or liability, whether in contract, tort or otherwise, shall lie personally against any member of the Appeals Committee for anything which is in good faith done or intended to be done in the execution or purported execution of these Rules.

1007. Powers of the Appeals Committee

- 1007.1 The Appeals Committee has the following powers:
- (a) the power to hear and decide appeals in accordance with these Rules;
 - (b) the power to hear new evidence that was not presented to the Disciplinary Committee;
 - (c) the power to quash, vary or affirm any decision of the Disciplinary Committee;
 - (d) the power to increase or reduce any sanctions imposed by the Disciplinary Committee; and
 - (e) all the powers of the Disciplinary Committee, including but not limited to the powers set out in Rule 1004.

1008. Proceedings of the Appeals Committee

- 1008.1 The appellant may, provided that one or more of the grounds of appeal in Rule 1005.1(a) to (c) exists, appeal to the Appeals Committee within 2 weeks of receipt of the Disciplinary Committee's written grounds of decision by submitting a written appeal to the Appeals Committee.
- 1008.2 A response to the written appeal may be submitted by the respondent within 2 weeks of receiving the notice of appeal, by serving the response on the appellant and the Appeals Committee; and
- 1008.3 A reply to the response by the respondent may be submitted by the appellant within 2 weeks of receiving the response, by serving the reply on the respondent and the Appeals Committee.
- 1008.4 The appellant or the respondent may submit a written request to extend any of the timelines prescribed in Rule 1008.1 to Rule 1008.3 above, provided that such written request is submitted at least 3 Business Days before the expiry of the relevant timeline. The written request shall state the reasons for the request. Upon receipt of the written request, the Appeals Committee may, at its discretion, extend the relevant timeline.
- 1008.5 After the respondent has had the opportunity to submit a response to the written appeal and after the appellant has had the opportunity to submit a reply to the response, the Appeals Committee shall determine a date, time and place for the hearing. An Appeals Committee

hearing shall have a quorum of at least 3 members, who will be nominated by the Appeals Committee. Members of the Appeals Committee shall declare if they have any interest in the appeal being considered at such hearing, and any member of the Appeals Committee with any such interest shall not be nominated to form the quorum for the hearing. The appellant and the respondent shall be given at least 2 weeks' notice of (i) the date, time and place for the hearing, (ii) the procedure for the conduct of the hearing, and (iii) the members of the Appeals Committee who will form the quorum for the hearing.

- 1008.5 The Appeals Committee will only consider that part of the decision of the Disciplinary Committee which is appealed against.
- 1008.6 The Appeals Committee may receive evidence that was not presented to the Disciplinary Committee, as may be appropriate.
- 1008.7 Hearings of the Appeals Committee shall be held in private, unless otherwise agreed by both the appellant and the respondent.
- 1008.8 Subject to Rule 1009.4 below, the appellant and the respondent shall treat all information obtained in the course of any proceedings before the Appeals Committee as confidential.
- 1008.9 Notwithstanding that the respondent may not submit a response to the notice of appeal, the appellant may not submit a reply to the response and the Member or Registered Person concerned may not be present at the hearing, the Appeals Committee may, provided that a notice of the hearing has been served on the appellant and the respondent, proceed to hear the appeal and exercise any of its powers under Rule 1007 above.

1009. Decision of the Appeals Committee

- 1009.1 The decision of the Appeals Committee, following deliberation, may be delivered in writing, or orally.
- 1009.2 The decision of the Appeals Committee is final and binding on the parties.
- 1009.3 The Appeals Committee shall provide the written grounds of its decision to the appellant and the respondent.
- 1009.4 The Exchange and/or the Book Depository may notify all Members of any decision of the Appeals Committee, and may publish the written grounds of any decision of the Appeals Committee by any means the Exchange thinks fit.
- 1009.5 The Members consent to the Exchange and/or the Book Depository notifying all other Members of any decision of the Appeals Committee and publishing the written grounds of any decision of the Appeals Committee.

1010. Costs

- 1010.1 The Disciplinary Committee or the Appeals Committee may, in its discretion, require the Member or the Registered Person who has been charged and found to have contravened these Rules to pay within such time period as the Disciplinary Committee or Appeals Committee may specify all or part of the costs of the hearing(s), including but not limited to, the costs of any inspections, audits or investigations leading up to the hearing(s) and any other disbursements incurred.

1010.2 If the costs awarded are not paid within such time period as may be specified in the order, the Exchange and/or the Book Depository may sue for and recover those costs as if those costs were a debt due to him.