

## INTRODUCTION

The Disciplinary Procedures forms part of the Rules of the Exchange and is binding on all Exchange Participants and Special Participants, and all holders of Stock Exchange Trading Rights (irrespective of whether they are Exchange Participants or not). The terms "Participant", "Exchange Participant" and "Special Participant" have been used in the Disciplinary Procedures for simplicity purposes but the disciplinary proceedings and disciplinary powers that may be exercised against Participants or Exchange Participants set out in Chapter 7 of the Rules of the Exchange and the Disciplinary Procedures shall mutatis mutandis apply to disciplinary proceedings and disciplinary powers that may be instituted or exercised against holders of Stock Exchange Trading Right.

This "Disciplinary Procedures" is applicable to all disciplinary cases where proceedings are instituted with the Disciplinary Committee after the Scheme Effective Date.

Rules referred to in the "Disciplinary Procedures" mean the Rules of the Exchange and the terms used herein where applicable bear the same meaning as in the Rules of the Exchange.

In this "Disciplinary Procedures", unless the context otherwise requires, the following terms shall bear the following meanings:

"Disciplinary Section" means the division, department, section or unit of the Exchange or HKEX delegated from time to time with the responsibilities and functions set out in Clause 1 of Part I of the Disciplinary Procedures.

"Enforcement Section" means the division, department, section or unit of the Exchange or HKEX delegated from time to time with the responsibilities and functions set out in Clause 2 of Part I of the Disciplinary Procedures.

The "Disciplinary Procedures" provides for:-

1. the functions of the Disciplinary Section in disciplinary matters;
2. the allocation of responsibility to the Enforcement Section for investigation of alleged offences and, if thought fit, prosecution of disciplinary proceedings before the Disciplinary Committee;
3. the functions of the Disciplinary Committee, the Disciplinary Appeals Committee, the Chief Executive and SEOCH in disciplinary matters;

4. the categorisation of offences into offences to be dealt with under the Standard Penalty Procedures and offences to be dealt with by hearings, and the adoption of the Standard Penalty Procedures and the Schedule of Penalties in relation to offences to be dealt with under the Standard Penalty Procedures;
5. procedures for legal representation and costs; and
6. comprehensive and straightforward procedures to be followed in the case of disciplinary actions.

The "Disciplinary Procedures" is divided into two parts. Part I deals with the responsibilities, powers and functions of the Exchange's Committees, divisions, departments, sections and units as well as those of SEOCH concerning disciplinary matters while Part II contains the actual procedures which will be followed whenever there is situation calling for disciplinary action.