

CHAPTER VII

DISCIPLINARY MATTERS

Circumstances Giving Rise to Disciplinary Proceedings

701. Any Exchange Participant which:-

- (a) in any manner contravenes these Rules, the Regulations, the Procedures, any conditions stipulated in the notice of approval of its Exchange Participantship given pursuant to Rule 305 or in any approval given by the Exchange, the Ordinance, the Clearing House Rules or any other rules, regulations, code of conduct or procedures as may from time to time be prescribed by the Exchange, the Clearing House or a recognized exchange controller which is the controller of the Exchange;
- (b) has been notified to the Exchange by the Commission as having failed to comply with any requirements of the Ordinance;
- (c) is charged with or convicted of an offence relating to fraud or dishonesty or any act of bad faith;
- (d) is or has been guilty of any act or omission relating to F.O. Business which is likely to affect adversely the business reputation or other interests of the Exchange or a recognized exchange controller which is the controller of the Exchange or prejudice the interests of any person who trades or may trade on the Exchange;
- (e) fails to report a trade or knowingly makes or reports a false or fictitious trade;
- (f) makes a material mis-statement to the Board, the Chief Executive, the Disciplinary Committee, the Disciplinary Appeals Committee or any other committee of the Board, or to the Exchange, the Clearing House, a recognized exchange controller which is the controller of the Exchange or their respective officials;
- (g) knowingly disseminates false, misleading or inaccurate reports concerning market information or conditions that affect or tend to affect the price of any Exchange Contract or any commodity underlying an Exchange Contract;
- (h) trades or accepts margin after becoming insolvent or having reason to believe that it has become insolvent;

- (i) refuses to appear before the Disciplinary Committee, the Disciplinary Appeals Committee or any other committee of the Board duly constituted under these Rules to deal with disciplinary matters, at or during the course of any disciplinary investigation or proceedings;
- (j) refuses to answer fully questions or produce books, records or other documents as may be required at or during the course of any disciplinary investigation or proceedings, or testifies falsely;
- (k) induces or attempts to induce another person to enter into a Futures Contract or an Options Contract :-
 - (i) by dishonestly concealing any material fact;
 - (ii) by making or publishing or causing to be made or published whether recklessly, dishonestly or otherwise any statement, promise or forecast that is misleading, false or deceptive; or
 - (iii) by recording or storing in or by means of any mechanical electronic or other device information that it knows to be false or misleading in any material respect;
- (l) acts in a manner which is or may be detrimental to the interests or welfare of the Exchange or a recognized exchange controller which is the controller of the Exchange or prejudicial to the interests of any person who trades or may trade on the Exchange or the investing public;
- (m) causes or attempts to cause or induces any employee of the Exchange or any controller or subsidiary of the Exchange to contravene any term of that employee's service contract with the Exchange or its controller or subsidiary (as the case may be);
- (n) is disciplined by any other exchange;
- (o) is disciplined for any reason by the Clearing House;
- (p) fails to comply with a decision made under Rule 819B;
- (q) disrupts or interferes in any manner with the operations of HKATS or any equipment or software used in conjunction therewith or fails to maintain or operate such equipment or software as prescribed by the Rules, Regulations and Procedures as well as the provisions of the HKFE-HKATS Agreement;
- (r) (deleted)

- (s) fails to meet or comply with any disciplinary sanction or other requirement imposed on it;
- (t) in connection with any Designated Index Arbitrage Transaction conducted on HKATS acts in a manner which is detrimental to the Exchange;
- (u) in connection with any Stock Futures Hedging Transaction conducted on HKATS acts in a manner which is detrimental to the Exchange;
- (v) fails to provide information requested by an exchange, regulatory authority or an organization with whom HKEX or the Exchange has entered into an information sharing arrangement or agreement;
- (w) fails to give notice of termination of the agreement entered into under Rule 530(b),

and any Responsible Officer, who is responsible for causing any Exchange Participant to fall within any sub-paragraph of this Rule may be liable to disciplinary proceedings pursuant to the Rules set out in this Chapter.

Disciplinary Powers

702. (a) Any of the following disciplinary powers may be exercised against an Exchange Participant in respect of any matter which may be the subject of disciplinary proceedings:-
- (i) revocation of its Exchange Participantship;
 - (ii) suspension of its Exchange Participantship on such terms and for such period as the Exchange shall think fit;
 - (iii) issuance of a reprimand;
 - (iv) issuance of a public censure;
 - (v) imposition of a fine;
 - (vi) issuance of a warning including, as appropriate, a requirement that certain actions be taken within the period specified in the warning and specifying the sanction (including a fine, suspension or revocation) in the event that such actions are not taken within the specified period;
 - (vii) prohibition or restriction from having access to and/or using any or all of the Exchange's facilities, including the suspension, withdrawal or revocation of the right of an Exchange Participant's access to HKATS on such terms and for such period as the Exchange shall think fit;

- (viii) imposition of any other restriction or condition on the rights of an Exchange Participant or the manner in which an Exchange Participant may carry on its activities, functions and/or operations including for the avoidance of doubt any restriction or condition regarding the capacity in and extent to which any employee or director of an Exchange Participant may be involved in that Exchange Participant's activities, functions and/or operations;
 - (ix) imposition of any restriction, prohibition or requirement regarding the disposal or holding by an Exchange Participant of, or the dealing by an Exchange Participant with, any monies or assets of its Clients; and
 - (x) requirement for rectification or other remedial action or restitutionary measures to be taken within a stipulated period, including, if appropriate, the appointment of independent accountants, solicitors, consultants, or other professionals in connection therewith.
- (b) Any of the following disciplinary powers may be exercised against a Responsible Officer in respect of any matter which may be the subject of disciplinary proceedings:-
- (i) revocation of registration;
 - (ii) suspension of registration;
 - (iii) issuance of a reprimand;
 - (iv) imposition of a fine;
 - (v) issuance of a warning including, as appropriate, a requirement that certain actions be taken within the period specified in the warning and specifying the sanction in the event that such actions are not taken within the specified period; and
 - (vi) prohibition or restriction from having access to and/or using any or all of the Exchange's facilities.
- (c) Any of the disciplinary powers provided for in this Rule may be exercised without prejudice to the rights to exercise any of the other disciplinary powers or any other powers contained in these Rules.
- (d) For the purposes of the remaining Rules of this Chapter VII, references to "Exchange Participant" shall be read as references to "Exchange Participant, Responsible Officer (as the case may be)" except in the

case of any Rule where it is clear from its purpose and effect that it is only applicable to an Exchange Participant.

Effect of Suspension

703. (a) An Exchange Participant whose Exchange Participants'hip or right to access HKATS is suspended for any reason:
- (i) shall remain liable for any payments, fees and charges owing or due by the Exchange Participant to the Exchange under these Rules, the Regulations, the Procedures as if the suspension had not occurred;
 - (ii) subject to Rule 703(a)(v) below, shall be prohibited from trading, either directly or indirectly, in any or all Markets, handling Client orders and transacting F.O. Business on behalf of a Client, except as may otherwise be permitted by the Exchange;
 - (iii) shall be barred from access to and/or using any or all of the Exchange's facilities, except as may otherwise be permitted by the Exchange;
 - (iv) shall remain liable for any agreement, transaction or arrangement in relation to any F/O Contracts held by the Exchange Participant before suspension;
 - (v) shall, in accordance with the directions of the Exchange, instruct and appoint another Exchange Participant to close out any open positions held by the Exchange Participant on its own account or on behalf of its Clients at the date of suspension or to effect the transfer to another Exchange Participant (subject to the approval of the Clearing House) of all open positions of any Client together with the money or security standing to the credit of that Client's account in respect of those open positions and shall notify the Exchange in writing of such appointment or transfer immediately; and
 - (vi) shall remain bound by these Rules, the Regulations and the Procedures while suspended.
- (b) Where an Exchange Participant is required by the Exchange pursuant to Rule 703(a)(v) to close out or transfer any open positions held by the Exchange Participant, the Exchange shall be entitled to close out or transfer, on behalf of the Exchange Participant, such open positions, or to request the Clearing House to close out or transfer such open positions on the Exchange Participant's behalf. Such Exchange Participant shall indemnify and hold the Exchange, a recognized exchange controller which is the controller of the Exchange and/or the

Clearing House harmless in respect of any costs or other expenses arising by reason of such closing out or transfer and shall indemnify the Clearing House in respect of any loss suffered by the Clearing House in respect of such closing out or transfer.

- (c) An Exchange Participant whose Exchange Participantship, right to access HKATS or other rights are suspended may at any time thereafter apply to the person or body which imposed the suspension for the lifting of such suspension by submitting to such person or body such information including any information as to the financial condition of the Exchange Participant as such person or body may require in order for it to be satisfied that it is proper in all the circumstances to lift the suspension. Such suspension may be lifted conditionally or unconditionally.

Revocation

704. (a) Upon the liquidation of an Exchange Participant, its Exchange Participantship shall automatically cease and shall be deemed to have been revoked and, for the avoidance of doubt, its Exchange Participantship shall not:-
- (i) (deleted)
 - (ii) (deleted)
 - (iii) (deleted)
 - (iv) vest in the liquidator of the Exchange Participant.
- (b) In addition to any other grounds for revocation, the Board shall have the power to revoke any Exchange Participantship if, in the opinion of the Board, the Exchange Participant is not suitable to remain as an Exchange Participant.

Effect of Revocation

705. (a) An Exchange Participant whose Exchange Participantship is revoked for any reason:-
- (i) shall remain liable for any payments, fees and charges owing or due by the Exchange Participant to the Exchange under these Rules, the Regulations and the Procedures as if the revocation had not occurred;
 - (ii) subject to Rule 705(a)(v), shall be prohibited from trading in any or all Markets, handling Client orders and transacting F.O. Business on behalf of a Client;

- (iii) shall be barred from having access to and/or using any or all of the Exchange's facilities, except as may otherwise be permitted by the Chief Executive;
 - (iv) shall remain liable for any agreement, transaction or arrangement in relation to any F/O Contracts held by the Exchange Participant before the date of revocation;
 - (v) shall be under a duty immediately and in accordance with the directions of the Exchange to instruct and appoint another Exchange Participant to close out the open positions held by the Exchange Participant on its own account or on behalf of its Clients at the date of revocation or to effect the transfer to another Exchange Participant (subject to the approval of the Clearing House) of all open positions of any Client together with the money or security standing to the credit of that Client's account in respect of those open positions and shall notify the Exchange in writing of such appointment or transfer immediately; and
 - (vi) shall remain bound by these Rules, the Regulations and the Procedures until such time as all F/O Contracts held by that Exchange Participant have been closed out or transferred.
- (b) The Exchange shall be entitled to close out or transfer, on behalf of an Exchange Participant whose Exchange Participantship has been revoked, open positions held by that Exchange Participant on its own account or on behalf of its Clients, or to request the Clearing House to close out or transfer such open positions on the Exchange Participant's behalf. Such Exchange Participant shall indemnify and hold the Exchange, a recognized exchange controller which is the controller of the Exchange and/or the Clearing House harmless in respect of any costs or other expenses arising by reason of such closing out or transfer and shall indemnify the Clearing House in respect of any loss suffered by the Clearing House in respect of such closing out or transfer.
- (c) (deleted)

Summary Action against an Exchange Participant

706. Notwithstanding any other provision of these Rules, the Exchange may by decision of the Chief Executive or his designee summarily suspend an Exchange Participant's Exchange Participantship, right to access HKATS or any other rights of the Exchange Participant or take any other summary action as the Chief Executive or his designee may think fit against the Exchange Participant upon the occurrence of any of the following events or if the Chief Executive or his designee has reason to believe that:

- (a) the Exchange Participant is or may be in such financial or operational difficulty that the Exchange Participant may not be permitted to continue to do business as an Exchange Participant with safety to Clients, other Exchange Participants, the Markets, the Exchange or the Clearing House;
- (b) such action is necessary to protect the interests of the Exchange, the Markets, a recognized exchange controller which is the controller of the Exchange or the Clearing House;
- (c) such action is necessary to ensure the orderly trading of the Markets and/or the operation of the Clearing House;
- (d) an Exchange Participant has made or proposed an arrangement or compromise with its creditors;
- (e) an Exchange Participant is unable to pay its debts as they fall due or commits an act of bankruptcy;
- (f) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed or any other step is taken by any person for the winding-up, administration, re-organisation, reconstruction, amalgamation, dissolution or bankruptcy of the Exchange Participant or for the appointment of a provisional liquidator, liquidator, receiver, administrator, trustee or similar officer over all or any part of the Exchange Participant's business or assets;
- (g) a prohibition or requirement is imposed on the Exchange Participant by the Commission pursuant to section 204, 205 or 206 of the Ordinance;
- (h) the Exchange Participant which is also a participant of the Clearing House, HKSCC or SEOCH has failed to meet any of its obligations to the Clearing House, HKSCC or SEOCH;
- (i) an Exchange Participant has conducted itself in such a manner as to call for disciplinary action and an investigation is being conducted into the affairs of the Exchange Participant for this purpose; or
- (j) an Exchange Participant is in breach of any of the conditions (if any) in the grant of its Exchange Participantship or Futures Exchange Trading Right.

707. Subject to any decision on appeal made by the Disciplinary Appeals Committee pursuant to Rule 725(h), any decision made by the Chief Executive pursuant to Rule 706 shall be final and binding on the Exchange Participant.

Disciplinary Action against an Exchange Participant

708. Subject to the provisions of Rule 706, allegations of Rule violations shall be adjudicated, and disciplinary powers herein shall be exercised, in accordance with the Rules set out in this Chapter VII and such other rules and procedures as may from time to time be prescribed by the Board.
709. If the Compliance Department is of the opinion that grounds exist for the exercise of disciplinary action against an Exchange Participant, the Compliance Department shall give notice (the "Notice") thereof to the Exchange Participant identifying the grounds upon which such opinion is based.
710. The Exchange Participant may, within such period as may be specified in the Notice, submit to the Exchange an explanation of its conduct in regard to the matter, together with any supporting documentary evidence.
711. If, having considered the submissions made by the Exchange Participant in response to the Notice, or in the absence of any such submissions from the Exchange Participant within the time specified in the Notice, the Compliance Department remains of the opinion that grounds exist for the exercise of disciplinary action, the Compliance Department shall:
- (a) prepare a Report specifying the matter(s) in respect of which the Compliance Department is of the opinion that disciplinary powers should be exercised against the Exchange Participant and the evidence upon which the Compliance Department will rely in presenting the case to the Chief Executive, the Designated Compliance Department Staff or the Disciplinary Committee (as the case may be); and
 - (b) determine whether the offence in question is a Non-serious Offence.

Disciplinary Matters referred to the Designated Compliance Department Staff

712. If an offence is determined by the Compliance Department to be a Non-serious Offence, the Compliance Department shall refer the matter to the Designated Compliance Department Staff and shall serve on the Exchange Participant and the Designated Compliance Department Staff a copy of the Report referred to in Rule 711(a).
713. The Designated Compliance Department Staff may at any time request the production of such documents as the Designated Compliance Department Staff deems appropriate. Copies of all such documents produced shall be served on both the Compliance Department and the Exchange Participant.
714. Where the disciplinary matter is referred to the Designated Compliance Department Staff pursuant to Rule 712, the Designated Compliance Department Staff shall, on the basis of the Report and any other documents

which may be requested to be produced by the Designated Compliance Department Staff pursuant to Rule 713, adjudicate the matter(s) specified in the Report and, subject to Rule 715, impose such sanctions on the Exchange Participant as the Designated Compliance Department Staff may consider appropriate.

715. In respect of Non-serious Offences, the Designated Compliance Department Staff shall be entitled to exercise the disciplinary powers set out in Rules 702(a)(iii), (v), (vi), and 702(b)(iii), (iv), (v) provided that the Designated Compliance Department Staff shall not have any powers to impose on an Exchange Participant any fine which is in excess of HK\$25,000 for each Non-serious Offence or which is in excess of HK\$100,000 in aggregate if more than one Non-serious Offence is involved. Any offence which will or is likely to subject an Exchange Participant to a fine of more than HK\$25,000, or, if more than one offence is involved, any offences which in aggregate will or are likely to subject an Exchange Participant to a fine of more than HK\$100,000, shall be adjudicated by the Disciplinary Committee.
716. Subject to any decision on appeal made by the Chief Executive pursuant to Rule 725(h), any decision made by the Designated Compliance Department Staff pursuant to Rule 714 shall be final and binding on the Exchange Participant.

Disciplinary Matters referred to the Disciplinary Committee

717. If an offence is determined by the Compliance Department not to be a Non-serious Offence, the Compliance Department shall refer the matter to the Disciplinary Committee and shall serve on the Exchange Participant and the Disciplinary Committee a copy of the Report referred to in Rule 711(a).
718. Where the disciplinary matter is referred to the Disciplinary Committee pursuant to Rule 717, the Disciplinary Committee shall meet for the adjudication of the disciplinary matter, adjourn and otherwise regulate its meetings in accordance with following procedures, these Rules and such other rules and procedures as may from time to time be prescribed by the Board:
- (a) Upon receipt by the Exchange Participant of the Report, the Exchange Participant may, within such period as may be specified in the Report, make further submissions and provide further documentary evidence to the Disciplinary Committee in respect of the matter(s) specified in the Report. Copies of all such further submissions and documentary evidence shall be served on the Compliance Department.
 - (b) The Disciplinary Committee may at any time request the production of such documents as the Disciplinary Committee deems appropriate to any paper or oral hearing. Copies of all such documents produced shall be served on both the Compliance Department and the Exchange Participant.
 - (c) The Disciplinary Committee shall adjudicate the disciplinary matter on the basis of the Report, any further submissions or documentary

evidence provided pursuant to Rule 718(a), and any other documents which may be required by the Disciplinary Committee to be produced pursuant to Rule 718(b) (i.e., as a paper hearing) unless in the opinion of the Disciplinary Committee, it is inappropriate for the disciplinary matter to be adjudicated by way of a paper hearing. At any paper or oral hearing, a legal counsel of the Exchange may attend for the purpose of giving legal advice to the Disciplinary Committee.

- (d) If the Disciplinary Committee decides that it is inappropriate for a disciplinary matter to be adjudicated by way of a paper hearing, the Disciplinary Committee shall fix a date and time for an oral hearing and notify the Compliance Department and the Exchange Participant of the date and time of the hearing.
- (e) At any oral hearing, the Exchange Participant and any Compliance Department staff shall have the right to attend and make submissions. The Exchange Participant may be accompanied by its legal counsel at any oral hearing provided that notice of the intention of the Exchange Participant to be accompanied by its legal counsel is given to the Disciplinary Committee at least ten Business Days before the hearing date giving such details in relation to the legal counsel as the Disciplinary Committee may require, including his qualifications.
- (f) The Disciplinary Committee may at any time request the attendance of such persons as the Disciplinary Committee deems appropriate at any oral hearing.
- (g) If the Exchange Participant or any other person(s) requested by the Disciplinary Committee to attend an oral hearing fails to appear at the oral hearing, the Disciplinary Committee may, upon proof of service on the Exchange Participant or the other person of the notice of the hearing, proceed to hear and determine the proceedings in its/his absence.
- (h) Rules of evidence do not apply to the conduct by the Disciplinary Committee of any disciplinary hearing. The Disciplinary Committee may attach such weight as it thinks appropriate to any material produced to it, notwithstanding that such material may not be admissible in civil or criminal proceedings.
- (i) The Disciplinary Committee shall, on the basis of the Report, any further submissions or documentary evidence which may be provided by the Exchange Participant, any other documents which may be requested to be produced by the Disciplinary Committee and any evidence as may be given by any persons whom may be requested to attend an oral hearing by the Disciplinary Committee, adjudicate the matter(s) specified in the Report and impose such sanctions on the Exchange Participant as it considers appropriate provided that no member of the Disciplinary Committee shall participate in the

adjudication of the matter(s) if he has a personal or financial interest in the case or is materially interested in the outcome of the case.

- (j) The Disciplinary Committee shall submit its findings to the Exchange after any decision has been made, specifying any sanction to be imposed on the Exchange Participant. The Exchange shall as soon as practicable after receipt of the decision of the Disciplinary Committee notify the Exchange Participant in writing of the Disciplinary Committee's decision.
- (k) Subject to any decision on appeal made by the Disciplinary Appeals Committee pursuant to Rule 725(h), any decision made by the Disciplinary Committee shall be final and binding on the Exchange Participant.

Disciplinary Appeals Committee

- 719. Subject to the provisions of Rule 721, a Disciplinary Appeals Committee consisting of such non-executive Directors and/or other person(s) as the Board thinks fit shall be appointed by the Board from time to time to determine a particular disciplinary appeal or disciplinary appeals.
- 720. (deleted)
- 721. No individual shall be eligible to serve on a Disciplinary Appeals Committee if he has a personal or financial interest in the case, is materially interested in the outcome of the case or has been involved in any prior consideration or determination of the case.

Appeal Procedures

- 722. (a) The Disciplinary Appeals Committee shall be the appellate body in respect of any decisions made by the Chief Executive pursuant to Rule 706;
 - (b) the Chief Executive shall be the appellate body in respect of any decisions made by the Designated Compliance Department Staff pursuant to Rule 714; and
 - (c) the Disciplinary Appeals Committee shall be the appellate body in respect of any decisions made by the Disciplinary Committee pursuant to Rule 718(i).
- 723. An Exchange Participant may, by giving notice in writing to the Exchange within ten Business Days of service thereon of the written notice of any decision referred to in Rule 722, appeal to the Chief Executive (in the case of a decision made by the Designated Compliance Department Staff pursuant to

Rule 714) or the Disciplinary Appeals Committee (in the case of a decision made by the Chief Executive pursuant to Rule 706 or the Disciplinary Committee pursuant to Rule 718(i)) against that decision on grounds falling within one or more of the following categories only:

- (a) the Chief Executive, the Designated Compliance Department Staff or the Disciplinary Committee (as the case may be) materially misdirected or misconducted himself/itself contrary to the Rules so as to cause prejudice to the Exchange Participant;
- (b) the decision of the Chief Executive, the Designated Compliance Department Staff or the Disciplinary Committee (as the case may be) was wholly irrational;
- (c) the decision of the Chief Executive, the Designated Compliance Department Staff or the Disciplinary Committee (as the case may be) was based on a serious error of law or misinterpretation of the Rules; and
- (d) the penalty imposed on the Exchange Participant was manifestly excessive.

Such notice of appeal shall set out full details of the grounds of the appeal, including the reasons why the Exchange Participant considers that it was aggrieved by the decision being appealed against and the relief which the Exchange Participant is seeking.

724. The Chief Executive or the Disciplinary Appeals Committee (as the case may be) may refuse to entertain any appeal he or it deems to be frivolous or without merit.
725. Where a notice of appeal is given by an Exchange Participant to the Exchange pursuant to Rule 723, the Chief Executive or the Disciplinary Appeals Committee (as the case may be) shall consider the appeal, adjourn and otherwise regulate its meetings in accordance with the following procedures, these Rules and such other rules and regulations as may from time to time prescribed by the Board. For the purpose of this Rule 725, the Chief Executive or the Disciplinary Appeals Committee appointed shall be referred to as the “Relevant Appellate Body”.
- (a) An appeal hearing shall not be a full review of the matter. No new evidence shall be considered by the Relevant Appellate Body unless such evidence is introduced to substantiate whether any of the grounds referred to in Rule 723 upon which the appeal is based are meritorious.
 - (b) The Relevant Appellate Body shall consider the appeal as a paper hearing unless in the opinion of the Relevant Appellate Body, it is

inappropriate for the appeal to be considered by way of a paper hearing or unless the Exchange Participant requests that the appeal be considered by way of an oral hearing. At any paper or oral hearing, a legal counsel of the Exchange may attend for the purpose of giving legal advice to the Relevant Appellate Body.

- (c) If the Relevant Appellate Body decides that it is inappropriate for the appeal to be considered by way of a paper hearing or if the Exchange Participant requests an oral hearing, the Relevant Appellate Body shall fix a date and time for an oral hearing and notify the involved parties of the date and time of the hearing.
- (d) At any oral hearing, the Exchange Participant, the Compliance Department and the Chief Executive, the Designated Compliance Department Staff or any member of the Disciplinary Committee (as the case may be) shall have the right to attend and, subject to the restriction on the introduction of evidence referred to in Rule 725(a) above, make submissions concerning the grounds upon which the appeal is based. The Exchange Participant may be accompanied by its legal counsel at any oral hearing provided that notice of the intention of the Exchange Participant to be accompanied by its legal counsel is given to the Disciplinary Appeals Committee at least ten Business Days before the hearing date giving such details in relation to the legal counsel as the Disciplinary Appeals Committee may require, including his qualifications.
- (e) The Relevant Appellate Body may at any time request the attendance of such persons as the Relevant Appellate Body deems appropriate at any oral hearing.
- (f) If the Exchange Participant or any other person(s) requested by the Relevant Appellate Body to attend an oral hearing fails to appear at the oral hearing, the Relevant Appellate Body may, upon proof of service of the notice of the hearing, proceed to consider the appeal in its/his absence.
- (g) Rules of evidence do not apply to the conduct of any appeal hearing. The Relevant Appellate Body may attach such weight as it thinks appropriate to any material presented before it, notwithstanding that such material may not be admissible in civil or criminal proceedings.
- (h) The Relevant Appellate Body shall, on the basis of any evidence presented to it pursuant to Rule 725(a) above, and such submissions as may be given by any persons requested to attend an oral hearing by the Relevant Appellate Body pursuant to Rule 725(e) above, consider the appeal and exercise any of the powers set out in Rule 702 as it may consider appropriate under the circumstances.

- (i) The Relevant Appellate Body shall announce its decision to the Exchange dismissing or allowing the appeal, confirming, varying or revoking any decision made or sanctions imposed on the Exchange Participant by the Chief Executive, the Designated Compliance Department Staff or the Disciplinary Committee (as the case may be) or specifying such additional sanctions on the Exchange Participant as the Relevant Appellate Body shall consider appropriate. The Exchange shall as soon as practicable after receipt of the decision of the Relevant Appellate Body notify the Exchange Participant in writing of the Relevant Appellate Body's decision.
 - (j) The decision of the Relevant Appellate Body shall be conclusive and binding on the Exchange Participant.
726. Pending the outcome of any appeal to the Chief Executive or the Disciplinary Appeals Committee (as the case may be), the decision being appealed against shall remain in force and be valid and binding upon the Exchange Participant.

Co-operation

727. During the course of any disciplinary proceedings or appeals, the Exchange Participant concerned shall offer its fullest co-operation to the Chief Executive, the Compliance Department, the Designated Compliance Department Staff, the Disciplinary Committee, the Disciplinary Appeals Committee or any other committee or other body or person to whom the task of adjudication of any disciplinary matter or consideration of any appeal may be entrusted, and shall supply to them such information and documents in its possession or under its control as any of them may require.

Settlement

728. At any time prior to the issuance of a decision by the Disciplinary Committee, the Exchange Participant that is the subject of the disciplinary matter may submit an offer of settlement to the Compliance Department for its acceptance, subject to approval by the Disciplinary Committee of such offer. The Compliance Department may, but is not obliged to, submit any such offer to the Disciplinary Committee if it does not accept the terms of the offer. In the event that an offer of settlement is not submitted to the Disciplinary Committee or if it is not approved by the Disciplinary Committee, adjudication procedures shall proceed in accordance with these Rules.

Principles of Natural Justice

729. The Exchange shall have regard to the principles of natural justice in the application of these Rules.

Liability of the Exchange

730. The Exchange, a recognized exchange controller which is the controller of the Exchange, their officers, directors, employees, agents or representatives or any other person or entity associated with them shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that the Exchange Participant may suffer or incur, whether directly or indirectly (including any loss of profit or any damage to reputation) by reason of any disciplinary proceedings instituted or disciplinary measures taken pursuant to these Rules.

Notice of Decisions

731. (a) Promptly after any summary action is taken or any decision is made in respect of any disciplinary proceedings instituted against an Exchange Participant or Responsible Officer notification of the summary action or decision and any sanctions imposed shall be sent to the Exchange Participant or Responsible Officer concerned. Where the party concerned is a Responsible Officer, a copy of the notice shall be sent to the Exchange Participant which currently employs such Responsible Officer. Except where the offence concerned is a Non-serious Offence, a copy of the notice shall also be sent by the Secretary to:
- (i) the Commission;
 - (ii) the Clearing House; and
 - (iii) any other person who, in the Chief Executive's opinion, should be sent a copy of such notice.
- (b) Where the Exchange Participantship, right to access HKATS or any other rights of an Exchange Participant are suspended, where any rights of a Responsible Officer are suspended or where the Exchange Participantship of an Exchange Participant or registration of a Responsible Officer is revoked, in addition to any other notice given by the Secretary pursuant to this Rule, notice thereof may be sent by the Secretary to all Exchange Participants in the manner specified by the Chief Executive from time to time, including by circulars or via electronic or computer data transmission to Exchange Participants. An Exchange Participant shall have no cause of action against the Chief Executive, the Secretary, a recognized exchange controller which is the controller of the Exchange, the Exchange or any other person associated with the Exchange in respect of any such notification.

Transitional Provision

732. Notwithstanding

- (i) that Members are deemed to be or became Exchange Participants with effect from the Scheme Effective Date and the substitution of the terms “Member” in the Rules in force prior to the Effective Date by the terms “Exchange Participant” or “holder of a Futures Exchange Trading Right” in these Rules;
- (ii) the amendments that were made to these Rules with effect from the Scheme Effective Date; and
- (iii) that a Member has ceased to be an Exchange Participant, whether or not he or it continues to hold a Futures Exchange Trading Right,

all investigations, disciplinary proceedings and actions instigated against any person (including without limitation an Exchange Participant or holder of a Futures Exchange Trading Right which was a Member, prior to the Scheme Effective Date) in respect of any violation of the Rules or the Articles then prevailing (including those which may have been amended or repealed with effect from the Scheme Effective Date) may be instituted, continued, enforced and adjudicated in accordance with the procedures set forth in these Rules.