

CHAPTER 8

DISCIPLINARY

Situations Calling for Disciplinary Action

801. The situations calling for disciplinary action against an Options Trading Exchange Participant under the Options Trading Rules shall apply equally to a SEOCH Participant in its capacity as such, to the extent that such situations are capable of being construed as applicable to the activities of a SEOCH Participant.
802. In addition to the situations calling for disciplinary action against a SEOCH Participant pursuant to Clearing Rule 801, SEOCH may take disciplinary action in relation to SEOCH Participants:-
- (1) if the SEOCH Participant contravenes these Clearing Rules, the Operational Clearing Procedures or any conditions attached to its SEOCH Participantship;
 - (2) if the SEOCH Participant is or has been guilty of any act or omission relating to its clearing activities which may adversely affect the reputation of SEOCH and/or prejudice the interests of any person who trades or may trade in any of the markets for which SEOCH provides clearing services;
 - (3) if the SEOCH Participant makes a material misstatement or omission or misleads or attempts to mislead SEOCH, the Exchange, or a recognized exchange controller which is the controller of SEOCH or their respective employees or officers;
 - (4) if the SEOCH Participant knowingly disseminates, or carelessly allows to be disseminated, false, misleading or inaccurate information which affects or tends to affect the market price of any Options Contract or other securities;
 - (5) if SEOCH has determined an event of default has occurred in relation to that SEOCH Participant; or
 - (6) if the SEOCH participant fails to provide information requested by an exchange, clearing house, governmental, regulatory or other competent authority or an organization (whether within or outside Hong Kong) with whom HKEX, SEOCH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to Clearing Rule 403(17) or Rule 403E.

Co-operation

803. In any investigation into a disciplinary matter or into circumstances possibly giving rise to a disciplinary matter, every SEOCH Participant shall co-operate with SEOCH, the SEOCH Board, the Exchange, a recognized exchange controller which is a controller of the SEOCH, the Commission and any other person or body of persons to whom the investigation may be entrusted.

Notification

804. Any proposal to take disciplinary proceedings, and the outcome of any disciplinary proceedings, shall be notified to the Exchange, the Commission and HKSCC.

Procedures

805. In respect of any disciplinary matter arising in relation to a SEOCH Participant, the conduct of any disciplinary proceedings and any subsequent appeals proceedings shall

be as determined by the SEOCH Board from time to time. The SEOCH Board may delegate any or all of its powers in relation to disciplinary matters to the Board, HKEX's staff, or to any other person or body of persons.

The SEOCH Board's Disciplinary Powers

806. The SEOCH Board may exercise any of the following disciplinary powers:-

- (1) to expel a SEOCH Participant by serving on it a notice of expulsion;
- (2) to call upon a SEOCH Participant, by written notice, to resign (failing the receipt of notice of such resignation from the SEOCH Participant within 7 days of the date of notice, the SEOCH Board may exercise the power of expulsion);
- (3) to suspend a SEOCH Participant from SEOCH Participantship pursuant to Clearing Rule 718 on such terms and for such period as the SEOCH Board shall think fit;
- (4) to impose a fine on a SEOCH Participant; or
- (5) to censure publicly or privately a SEOCH Participant.

Summary Offences

807. SEOCH may take summary disciplinary measures against any SEOCH Participant who fails to pay Premium, Settlement Amount or deliver SEOCH Collateral in respect of margin when due or who wrongly records or allocates trades or positions in or to any account of the SEOCH Participant in DCASS. The summary disciplinary measures SEOCH may take without prior notice to the SEOCH Participant are to publicly or privately censure the SEOCH Participant or to impose a fine on the SEOCH Participant in an amount not in excess of HK\$ 100,000.