



# CAYMAN ISLANDS STOCK EXCHANGE

## GUIDANCE NOTE FOR CSX DISCIPLINARY PROCEDURES

UNDER THE NEW BROKER MEMBERSHIP RULES

**The following guidance note explains CSX action in the event of a rule breach by any of its Broker Members.**

The CSX will from time to time (usually annually or bi-annually) conduct on-site inspection visits. These visits, together with any other evidence of a rule breach by a CSX Broker Member (e.g. by customer complaints, returns, press, whistle blowers, auditors) may result in the CSX taking some form of disciplinary action against the Broker Member.

Under rule 5.74 of the Broker Membership rules, the CSX may take no action or impose on or more of the following penalties on each charge admitted or proved:

- a) Issue a formal written warning;
- b) If the rule breach is one for which the Exchange has promulgated, either in these rules or by a notice in force at the time of the breach, a fixed penalty, impose that penalty;
- c) If there is no applicable fixed penalty impose a fine of up to \$25,000 for each breach and , in addition, order the broker member to make restitution to any person at whose expense the broker member has profited by a breach;
- d) Commence a disciplinary proceeding;
- e) Impose one or more requirements with regard to the broker member's level of staff, training, internal procedures and controls or any other matter relevant to the continuing suitability of the broker member to be a member of the Exchange; and/or
- f) Place restrictions on the volume of business or of any class or type of business, that the broker member might undertake.

## **CSX STEPS FOR DISCIPLINARY ACTION**

The aim is to prevent the rule breach of the rules from becoming any more serious than it already is.

1. The CSX staff will issue a **formal warning** (warning notice). The warning will be in writing and will explicitly state the **relevant rule breaches** and the **fixed fine** (if applicable) levied in case of non-compliance. (See Appendix E of the Broker Membership Rules for details of fixed fines).
2. The CSX expects the Broker Member to take corrective action as stated in the written warning, in order to prevent the matter from escalating to the Disciplinary Committee.
3. The CSX will give the Broker Member a fixed time frame to take corrective action. This will normally be **one month** from the date of the warning notice.
4. The Broker Member has the right to make a written representation within **ten days** of the written warning. The CSX might in this case extend the time frame for corrective action.
5. Should no representation be made by the Broker Member, the CSX will immediately, after the one month time frame has lapsed, issue applicable fines.
6. Where the CSX has decided to levy a fine, it will send a notice to the Broker Member giving particulars of the rule breach and of the fine calculated in accordance with the rules (Appendix E).
7. The Broker Member shall pay such a fine within **15 business days** of the notice, unless it has requested CSX in writing within that period to deal with the breach by reference to the Disciplinary Committee.
8. After the lapse of the above stated period, the CSX will refer the matter to the Disciplinary Committee for punitive action.
9. The Disciplinary Committee will begin Disciplinary Proceedings as outlined in Chapter 5 of the Membership Rules.