

**BAHAMAS INTERNATIONAL SECURITIES EXCHANGE
LIMITED**

BISX RULES

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BAHAMAS INTERNATIONAL SECURITIES EXCHANGE

**SECTION 3: COMPLAINTS, DISPUTES, AND
DISCIPLINE**

Subsection 1: Complaints Procedure

1. A Member must have procedures to ensure:
 - (i) the proper handling of complaints;
 - (ii) that any appropriate remedial action on those complaints is promptly taken; and
 - (iii) that a client is advised of any further avenue for complaint available to him under the Rules, where the complaint is not promptly remedied.
2. The complaints procedures must be set down in writing and designed to ensure that:
 - (i) each employee of a Member dealing with a client is aware of them;
 - (ii) every complaint is investigated promptly and fully by either an officer of the Member who was not originally involved in the matter giving rise to the complaint, or if that is not possible having regard to the size of the Member, a senior officer of the Member; and
 - (iii) a copy of the written complaint, the Member's response and record of any action taken are recorded.
3. A Member who receives a complaint under this Subsection must maintain a record which details:
 - (i) the identity of the complainant;
 - (ii) the nature of the matter complained of;
 - (iii) the date of receipt;
 - (iv) the identity of the officer or employee of the Member who received the complaint;
 - (v) the identity of the person to whom the matter was directed for investigation
 - (vi) the action taken to deal with the matter, the date on which action was taken and by whom;
4. Records maintained under this Subsection shall be made available to the Exchange on request
5. Where the matter was passed to anyone outside the Member, records must identify the person to whom the matter was referred and indicate the date on which such action was taken.
6. The Exchange may investigate each written complaint made to it by a Member or a client against a Member provided that:
 - (i) the complaint relates to business activities regulated by the Exchange or business which purports to do so;
 - (ii) the complainant has given the Member a reasonable opportunity to investigate the complaint; and
 - (iii) the complaint is not already the subject of litigation or arbitration on the same or substantially the same facts unless the Exchange is of the view that there is a

regulatory need or benefit arising from conducting an investigation before the outcome of the litigation or arbitration is known.

7. A Member must co-operate fully with any person appointed by the Exchange to investigate complaints.

Subsection 2: Disputes

1. Where there is a dispute between Members or between a Member and another party or a claim against a Member, the Member concerned shall notify the Exchange within 5 working days setting out all relevant details of the matter.
2. A Member shall notify the Exchange forthwith in writing once it has commenced legal proceedings against a third party or receives notification of intended legal action brought against it from any third party.
3. A Member shall notify the Exchange when any person employed by it is convicted of a criminal offence, excluding minor traffic offences, within 48 hours.

Subsection 3: Monitoring And Access To Information

1. The Exchange may, in pursuing its responsibilities under the Rules:
 - (i) enter the business premises of a Member, upon serving appropriate notice;
 - (ii) require attendance, upon reasonable notice, of any officer or employee of a Member at a specified date, time and place for the purposes of this Rule;
 - (iii) interview any individual attending its hearings and require him to answer questions and give explanations for the purpose of enabling the Exchange to obtain information about any matter which it considers relevant to its monitoring function;
 - (iv) require the production of documents and records of a Member relating to the Exchange's enquiries or for the purposes of inspection, noting and copying;
 - (v) require that, if any documents and records not produced at or within the time specified, the Exchange must be notified as soon as reasonably practicable where the documents and records are and in whose custody or control they are; and
 - (vi) communicate any information or documents obtained in the course of any hearing or investigation conducted by the Exchange for the purposes of its regulatory duties.
2. If the relevant information is held on computer or on microfilm, the Member may be required to print the information or otherwise convert it into a readily readable form and supply a copy to the Exchange.
3. The Exchange may record, on tape or other media, telephone conversations and interviews conducted by it and, if the Exchange intends to rely on recorded conversations or interviews in evidence before its committees or the Board, shall provide a transcript of the recording to the Member.

4. The Exchange may authorise any of its employees or other person or body to perform its monitoring or investigative functions and that person or body shall have the same powers as persons employed by the Exchange.

Subsection 4: Investigations

1. The Exchange may institute an investigation into any matters with which it is concerned, including:
 - (i) the fitness and propriety of a Member; and
 - (ii) an allegation of a breach or anticipated breach of the Rules.
2. The Exchange may serve a notice on any person stating that an investigation has been commenced and containing a brief description of the matter under investigation.
3. After service of a notice under this Rule the Exchange may require an officer or employee of a Member to attend before it at any time and place specified to answer questions and explain any matter the Exchange considers relevant to the investigation.
4. In exercising its powers under the Rules the Exchange may require a Member to procure the attendance of any specified officer or employee.
5. In the course of an investigation the Exchange may require an officer or employee of a Member to produce at such time and place such specified documents and records that appear to the Exchange to be relevant to the investigation.

Subsection 5: Market Conduct Committee

5.1 General

The Exchange may institute disciplinary proceedings against a Member, any present or any of its former directors, officers or employees in respect of an act of misconduct.

5.2 Acts of Misconduct

1. Acts of misconduct may consist of any of the following:
 - (i) breach of the Rules laid down from time to time by the Exchange;
 - (ii) breach of the relevant laws of The Bahamas or other territory where the Member is regulated, or act or omission that causes the Member to be in such breach;
 - (iii) failure to supply records, documents, information or explanations to the Exchange or to attend an interview or to answer questions addressed by or on behalf of the Exchange to the Member;
 - (iv) failure to comply with a condition of Membership;
 - (v) failure to comply with an order, decision or direction issued by the Exchange;
 - (vi) supplying the Exchange with incorrect, evasive or misleading information on any material point either on its initial application for Membership or subsequently;
 - (vii) conducting its activities in a manner which is detrimental to the Exchange;

- (viii) conducting its activities in a manner which brings the Exchange into disrepute;
- (ix) conduct the manner of which is disorderly or involves wilful obstruction of business on the Exchange's trading system or is liable to damage the trading system;
- (x) knowing involvement in or conduct, neglect or default which contributes to an act of misconduct involving breach of the Exchange's rules, regulations or best practice by a Member or any of its directors, shareholders, employees or agents thereof;
- (xi) failure on the part of a director or senior executive of a Member to exercise their responsibility satisfactorily and in accordance with the Exchange's best practice;
- (xii) failure to pay fees or other charges levied by the Exchange within the time specified;
- (xiii) failure to pay a fine imposed by the Board within the time specified;
- (xiv) wilful destruction or alteration of records or failure to take steps to preserve records for the period and in the form specified by the Rules from time to time;
- (xv) failure to comply with any penalty imposed by the Exchange.

5.3 Hearings of Market Conduct Committee

1. All hearings concerning acts of misconduct by a Member shall be considered in the first instance by the Market Conduct Committee comprised of members of the Board.
2. The Exchange must notify the Member in writing of its intention to bring its case to the Market Conduct Committee and specify the basis of the Exchange's case and indicate the date and time of such hearing, which shall be no later than seven (7) days from the notification.
3. The Member shall be entitled to make such representations and submissions to the Market Conduct Committee as it sees fit.

Subsection 6: Review Of Decisions Of Market Conduct Committee

1. A Member aggrieved by a decision of the Market Conduct Committee may request that a decision is reviewed by the Disciplinary Committee by giving notice in writing to that effect to the Secretary of the Board, not later than 21 days after the date on which the decision was notified to it.
2. The Member shall set out in detail in such a notice the basis of such appeal.

Subsection 7: Hearings By The Disciplinary Committee

7.1 Structure

1. All decisions made by the Market Conduct Committee in respect of market conduct matters may be appealed to a Disciplinary Committee comprised of individuals who are independent of BISX and its Board.
2. The Disciplinary Committee shall be a standing body of up to five persons, any three of whom shall constitute a quorum.

7.2 Basis for Disciplinary Committee decisions

1. When considering an appeal by a Member against a decision of the Market Conduct Committee, the Disciplinary Committee shall only consider the following matters:
 - (i) the basis for the market conduct committee in reaching its decision;
 - (ii) the information stated in the notice submitted by the appellant; and
 - (iii) any facts or matters subsequently raised by either the Exchange or the Member in response to arguments advanced by either side, which could not have been raised earlier.

7.3 Procedure

1. The Disciplinary hearing shall be held in private.
2. A Member may be represented by a third party.
3. The Member must notify the Secretary of the Board at least 10 business days before the date set for the appeal in writing naming his proposed representative.

7.4 Decisions of the Disciplinary Committee

1. The Disciplinary Committee shall only set aside or vary the decision of the Market Conduct Committee if it is satisfied that either:
 - (i) the decision was not justified by the Rules, or
 - (ii) in reaching its decision the Markets Committee failed to comply with proper procedural requirements.

2. In its appellate capacity the Disciplinary Committee shall have power to dismiss the matter, or remit, reduce or increase any penalty.
3. Any decision of the Disciplinary Committee made in accordance with these Rules shall be binding upon the Board.

Subsection 8: Notification To The Public

1. The Exchange shall notify or cause to be notified to the Members and the public that:
 - (i) a Member has become a defaulter or has ceased to be a Member;
 - (ii) a Member has been suspended;
 - (iii) any Member has been reprimanded and/or fined or had other penalty imposed on it;
 - (iv) Members have been warned against adopting a particular course of action.

Subsection 9: Penalties

9.1 Range of penalties

1. The Exchange may impose one or more of the following penalties together with such additional terms or conditions as it shall deem appropriate taking into account the circumstances of the Member, its case and history:
 - (i) a letter of caution;
 - (ii) a censure;
 - (iii) a fine;**
 - (iv) an order or direction as to a particular action;
 - (v) imposition of conditions on further activities or continuation of existing activities of a Member, its officers or employees, or any combination of these;
 - (vi) suspension of all or part of the Member's activities;
 - (vii) termination of Membership of the Exchange; or
 - (viii) recommendation to the Commission for withdrawal of the Member's licence or for imposition of conditions or restrictions on the Member's activities.

9.2 Payment of fines

A fine imposed under these rules shall be a debt due from the member or former member to the Exchange and shall be due for payment within the time specified by the Market Conduct Committee.

9.3 Payment of compensation to clients

When imposing a penalty in addition the Exchange may order payment of compensation to a client where it is satisfied that the client has suffered a readily determinable loss as a consequence of the Member's misconduct the subject of discipline.

9.4 Notice of termination of membership

In the absence of a defence or delivery of a defence, the notice terminating Membership shall take immediate effect.

9.5 Cost of proceedings

The Exchange may order any party to the proceedings to pay costs of the proceedings and remuneration of members of the Exchange's committees attending to consider case.

9.6 Failure to comply with penalties

Failure to comply with any of the penalties imposed by the Exchange within the time specified by the Exchange will constitute a matter for disciplinary action.