

Section VII
Disciplines and Sanction of the Members

68. Should the Members breach or fail to comply with its obligations as prescribed by The Association, the Board may resolve to take any disciplinary actions against the Member as follows;
- (1) Warning;
 - (2) Probation;
 - (3) Fine;
 - (4) Barring from any rights conferred to Members;
 - (5) Revocation of membership pursuant to Article 110 (3).
69. Should the Members breach or fail to perform duties of Members as prescribed by The Association and the Board considers and deems that the said charge was committed or taken part by directors, personnel or employees of the Members, the Board may order such Members to punish those directors, personnel or employees of the Members as the Board deems appropriate.

Chapter 1 Disciplinary Procedures and Actions

70. The Board shall appoint one or more Disciplinary Committees to consider the wrongdoing and mete out punishment and shall perform duty prescribed by this Regulation.
71. A Disciplinary Committee shall consist of 5 members consisting of one Director representing the Association and at least 3 members from non-member companies comprising of one expert in securities business and one expert in law. The Managing Director shall be member in the Disciplinary Committee by position.
The Board shall appoint a chairman from the Committee pursuant to the first paragraph.
The Managing Director shall appoint at least one employee of the Association to act as secretary of the Committee to gather relevant facts and evidences, examine and present his/her views, facts and relevant and applicable laws to the Disciplinary Committee as well as to perform other activities as needed to fulfill the duty prescribed by this Article.
72. The Disciplinary Committee shall be in office for a term of two years except for the Managing Director. When the Disciplinary Committee members retire from the office when their term of office expires, the Board shall appoint new Disciplinary Committee members. In the interim, the retiring Disciplinary Committee shall continue in office until such time as the new Committee members assume duty.
73. Besides retirement from office when term expires, the Disciplinary Committee members shall retire from office upon:
- (1) death;
 - (2) resignation;
 - (3) final judgment of receiving order;

- (4) being an incompetent person or quasi-incompetent person;
- (5) having been punished with imprisonment by a final judgment except a punishment for an offence committed with negligence or for a petty offence;
- (6) removal by the resolution of the Board.
- (7) lack of the qualifications under Article 71;

In the event that the Committee member vacates his office before the expiration of his term, the Board may appoint other person to replace the vacating Committee member to serve the remaining term.

- 74. For the meeting quorum and resolution of the Disciplinary Committee, article 32, 33 and 34 shall apply *mutatis mutandis*. Additionally, if any Disciplinary Committee member has dissenting opinion, such opinion shall be written with supporting reasons in the meeting minutes. Such Disciplinary Committee member may also present his dissenting opinion in writing.
- 75. The Disciplinary Committee shall have the power to consider the charge and mete out punishment to the Ordinary, Extraordinary Members and bond traders who committed or took part in the breach of rules and regulations of the Association except for the following:
 - (1) revocation of the membership;
 - (2) other cases as prescribed by the Board.
- 76. Should it appear that the said charge or doubt leads to believe that rules and regulations of the Association were breached, the Managing Director shall consider the relevant facts and information
 - (1) If the Managing Director deems that there is reasonable reason ground to believe the charge, shall gather and collect the facts, relevant evidence and prepare his opinion with supporting reasons and the relevant and applicable laws presented to the Disciplinary Committee and shall notify the charge to the accused in writing.
 - (2) If the Managing Director deems that it is groundless, the Managing Director shall order to stop the consideration and shall report to the Disciplinary Committee. If the Disciplinary Committee does not agree with the decision, it may order to continue the consideration in accordance with (1).

If it appears that the case under consideration is beyond the jurisdiction of the Disciplinary Committee in accordance with Article 75(1) or (2), The Disciplinary Committee shall render opinion and forward the case to Appeal Committee with in 15 days for consideration and proceeding according to Article 97.
- 77. Letter of notification shall compose the following:
 - (1) Name and address of the accused;
 - (2) The description of disputed accused actions as well as circumstances in connection therewith;
 - (3) Identify and refer to the applicable rules and regulations of the Association to be breached;

(4) Period to clear up the charge shall not exceed sixty (60) days.

78. To proceed according to the provision of this Rule, the accused may act on his own motion or delegate his right to other persons to do on his behalf.
79. Proceedings shall be expediently carried out and completed. However, the accused shall be given full opportunity to clear the accusation and present his side of supporting witnesses and documents as evidence in support of his contentions.

The clarification and explanations, according to the first paragraph, shall be made in writing except that the Disciplinary Committee may permit the accused to answer therefor orally before the Disciplinary Committee.

To clarify and answer orally according to the second paragraph, the secretary shall record the proceedings and shall be signed by the accused as written evidence.

80. The accused at his discretion, may or may not make and answer to the Disciplinary Committee. The secretary shall then report to the Disciplinary Committee after such period set forth in Article 77 lapsed in order to set the date to begin the proceeding. The Disciplinary Committee is authorized to proceed the consideration of the charge and render decision in the absence of such answer.
81. The Disciplinary Committee shall conclude the proceedings within 90 days after the first day of the proceeding.

During the proceeding the Disciplinary Committee may summon in writing the accused to appear before the Disciplinary Committee for questioning, or may order the accused to submit to the same additional documents within a specified period.

Time as set forth in the first paragraph, shall not start counting until the Disciplinary Committee who rendered the decision or order in accordance with the second paragraph, has received additional documents, evidence or explanation in full and complete.

82. To specify the time set forth in this section the Disciplinary Committee shall be empowered to grant a reasonable time extension to the accused, if it is deemed appropriate after obtaining the approval of the Board.
83. After the Disciplinary Committee has meted out the punishment, the Managing Director shall notify the accused in writing, the Board and the SEC of the decision in a timely basis. The notification, at the minimum, shall include:
- (1) Date of the order of punishment;
 - (2) Name and address of the accused;
 - (3) Causes and facts of the accusation;
 - (4) Contents and reasons of the order;
 - (5) Effect of the order.

Chapter 2 Appeal Procedures and Decision

84. The Board shall appoint an Appeal Committee of 5 persons consisting of one Director and at least 3 qualified professionals who shall not be representatives from the Member companies. The qualified professionals shall each be law, finance, accounting and securities business expert.
The Appeal Committee set forth in the first paragraph shall be approved by the Office of the SEC.
85. The Appeal Committee shall be in office for a term of 2 years. When the Appeal Committee members retire from office when the term of office expires, the Board shall appoint new Appeal Committee members. In the interim, the retiring Appeal Committee members shall continue in office until such time as the new Appeal Committee members take office.
86. Besides retirement from office when the term expires the Appeal Committee member shall retire from office upon:
- (1) death;
 - (2) resignation;
 - (3) final judgment of receiving order;
 - (4) being an incompetent person or quasi-incompetent person;
 - (5) having been punished with imprisonment by a final judgment except a punishment for an offence committed with negligence or for a petty offence;
 - (6) removal by the resolution of the Board.
87. The meeting, quorum and resolution of the Appeal Committee, Article 32, 33 and 34 shall apply *mutatis mutandis*.
88. The punished Members and affecting persons may file a petition to appeal with the Appeal Committee by themselves or delegate, in writing, other persons to do same on their behalves.
89. The appellants shall file their petition of appeal to the Appeal Committee within 15 days from the date of having received the order of punishment.
Petitions to appeal shall be in writing signed by the appellants or their legal representatives as the case may be, with the statement of decision on the order of punishment that cause the petition of appeal, including facts relevant and applicable laws and reasons of contention of dissent orders.
The appellants shall attach any relevant documents and evidence submitted as supporting contentions as the appellants deem beneficial to the defense of the proceedings.
90. The Managing Director shall appoint at least one employee of the Association to act as secretary of the Appeal Committee to gather relevant acts and evidences, review the case and documents and present his views and supporting facts and relevant and applicable laws as well as any work done to comply with the provision of this chapter to the Appeal Committee.

91. To file a petition of appeal pursuant to Article 89, the petition shall be filed at the Association. The Association upon receipt of the petition shall issue the receipt of the appeal petition. The receipt shall at least include the date of the filing and name of the appellant. The secretary shall send a written notification in respect of the appeal to the Office of the SEC.
92. Upon the receipt of the petition of appeal, the secretary shall consider and do the following:
- (1) In case that the petition of appeal was filed after the lapsed period set forth in the provision in Article 89 the secretary of Appeal Committee shall dispose of the case and report the decision to the Appeal Committee, and shall notify in writing in respect of the disposal of the petition to the appellant;
 - (2) In case that the secretary deems that the petition is not correctly filed or filed with incomplete requirement as set forth with the provision of the rules and regulation prescribed by the Association, the secretary shall notify in writing to the appellant of such error or deficiency, and specifying time limit to correct the error or make good the deficiency and refile the petition of appeal.
In case that the appellant fails to correct the error and file the correct petition of appeal within the specified period, the provision in (1) shall apply. In case that the appellant corrects the error and file the complete petition of appeal within the specified period, it shall be considered that the appellant has complied with the provision of Article 89.
 - (3) In case that the secretary deems that the petition of appeal is correct and complete, the secretary shall render his opinions with supporting reasons and relevant and applicable laws to present to the Appeal Committee in a timely basis.
93. The Appeal Committee shall complete the appeal proceedings within 30 days from the date of the proceeding commenced. In the event that the proceedings cannot be concluded within the specified time, the Appeal Committee may extend the time not to exceed another 30 days.
The Association shall thereby notify the appellant in writing of the extension prior to the time of proceeding expires.
During the proceedings of appeal, the Appeal Committee may summon the appellant in writing to answer the questioning or to provide additional documents or evidence or to clarify matter regarding appeal within the specified time.
Clarification pursuant to the second paragraph shall be done in writing, except that the Appeal Committee may permit to answer the questions orally before the Appeal Committee.
In case of oral clarification, pursuant to second paragraph the secretary shall record such clarification and shall be signed by the Appellant to be used as evidence.
The time between the Board issues the order pursuant to the second paragraph and the time the Appeal Committee has received the additional documents, evidence or clarification in full and complete shall not be counted as time elapses in accordance with the first paragraph.

When the Appeal Committee has concluded the consideration, the Secretary shall prepare the report recording the opinions and recommendation of punishment with supporting reasons of the Appeal Committee to present to the Board to reach the decision pursuant to Article 94.

94. After the Appeal Committee has concluded and rendered the decision, the Association shall notify in writing such decision to the Appellant and the Office of the SEC with supporting reasons in a timely manner.

In consideration and rendering decision, if the Board considers and renders decision different from the opinions suggested by the Appeal Committee pursuant to Article 93, the Board shall state the supporting reasons.

The consideration and decision of the Board shall be final.

95. Filing appeal shall not be ground for stay of the execution of decision, but the appellant may attach the respite of execution with the petition of appeal. In such respite the appellant shall state the reasons to request the Appeal Committee to respite the execution. A copy of such decision of order of punishment shall be attached.

When the filing of the respite of execution is correct, the Secretary shall consider the said petition in an urgent manner and render opinions and present the same to Appeal Committee in a timely basis.

96. In case that the Appeal Committee has deemed that it is an urgent manner and the request for respite of the execution is justified, the Appeal Committee may issue an order to stay in part or in all the execution with conditions or with other warranty deemed appropriate. The secretary shall notify the appellant and the issuer of the decision in writing.

In case that the Appeal Committee has deemed that the respite of execution shall not be granted, the secretary shall notify the appellant in writing in a timely manner.

The decision pursuant to the first and the second paragraph of the Appeal Committee shall be final.

97. In consideration of Appeal Committee with regard to removal of membership or other cases pursuant to second paragraph of Article 76, then Article 87, 90, 93 and 94 shall apply *mutatis mutandis*. The resolution for such cases shall be adopted by a vote of not less than three-fourth of the number of all Appeal Committee.