

**OTC CLEARING HONG KONG LIMITED  
DISCIPLINARY COMMITTEE  
TERMS OF REFERENCE AND MODUS OPERANDI**

**1. Purpose**

- 1.1 A Disciplinary Committee (“**Committee**”) is a committee of the board of directors (the “**Board**”) of OTC Clearing Hong Kong Limited (“**OTC Clear**”) responsible for making first instance decisions on disciplinary proceedings commenced by OTC Clear under its clearing rules as in force from time to time (the “**Clearing Rules**”).

**2. Membership**

- 2.1 Situations calling for disciplinary proceedings are set out in the Clearing Rules. Upon determining that disciplinary proceedings should be commenced, a Committee consisting of three members will be formed. The members to be appointed to a Committee shall be drawn from the pool of persons set out in paragraph 2.2.
- 2.2 Members of each Committee shall be drawn from the following:
- (a) the independent non-executive directors or client representative director(s) of OTC Clear;
  - (b) the independent non-executive directors of Hong Kong Exchanges and Clearing Limited; or
  - (c) market practitioners, industry participants or experts, lawyers or other suitable persons at the discretion of the Board.
- 2.3 Neither the employees nor the directors of any Clearing Member subject to disciplinary proceedings nor the employees or directors of such Clearing Member’s Affiliates, Clients or advisers shall be appointed to a Committee. Further, no person shall be appointed to a Committee if he has a personal or financial interest in the outcome of, or has been involved in any investigation into, the matter under consideration, nor if he is the employee or director of a person having a direct financial interest in the outcome of the matter under consideration.
- 2.4 The chairman of a Committee may be appointed by the Board or elected by the members appointed to form the Committee.

**3. Duties, powers and functions**

- 3.1 A Committee shall be responsible for hearing or adjudicating first instance disciplinary proceedings commenced by OTC Clear under the Clearing Rules. It may exercise any powers conferred on it under the Clearing Rules independently.

#### **4. Frequency and proceedings of meetings**

- 4.1 The meetings and proceedings of the Committee shall be governed by OTC Clear's Articles of Association.
- 4.2 The Committee shall meet for the dispatch of business, adjourn and otherwise regulate its meetings in accordance with any rules of procedures (including rules governing members' conflict of interest) which may be issued by the Board from time to time.

#### **5. Review**

- 5.1 The Committee shall review the adequacy of these Terms of Reference at least annually to ensure that they remain relevant to the Committee's objectives, and make appropriate amendments, as and when required, for the Board's approval.

#### **6. Definitions and interpretation**

- 6.1 Unless otherwise stated, any capitalised terms used in these Terms of Reference shall have the meaning ascribed to them in the Clearing Rules.
- 6.2 References to one gender shall include all genders.

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