

60. *Procedure—Members*—Disputes between members of different exchanges shall be referred to the arbitration of the committee of another exchange (being a metropolitan exchange). The appointment of the exchange to act as arbitrator is to be agreed upon by the exchanges concerned in the dispute; failing such agreement, the arbitrating exchange shall be nominated by the President of the Association.

61. *Procedure—Exchanges*—A dispute between any two exchanges or between one exchange and a member of another exchange shall be referred to the committee of the Association.

62. *No Appeal*—No right of appeal shall lie against the determination of a local committee, in respect of any dispute.

63. *Members Concerned or Implicated*—No member of the committee or of a local committee who is concerned or implicated in or whose firm or exchange is concerned or implicated in any complaint, charge, or dispute shall be eligible to attend any meeting of the committee or local committee as the case may be called to deal with such complaint, charge, or dispute. No member of the committee shall be eligible to attend any meeting of the committee called to hear an appeal against the decision of a local committee on a complaint or charge if he adjudicated on the local committee in respect thereof.

64. *Penalties*—If the committee or local committee as the case may be shall find any complaint or charge to have been proved such committee may:

In the case of an exchange:

- (i) Suspend such exchange for such time as such committee shall think fit; or
- (ii) Expel the exchange from membership of the Association; or
- (iii) Levy a fine on such exchange not exceeding a sum equal to £5 for each member of the exchange, but in no case shall the amount of the fine exceed £200.

In the case of a member:

- (i) Suspend such member from membership of his exchange for such time as such committee shall think fit; or
- (ii) Expel such member from membership of his exchange; or
- (iii) Levy a fine on such member not exceeding the sum of £200;

provided that nothing in the foregoing shall prevent any exchange by its rules prescribing penalties for breach by its members of these rules different from those prescribed above, but this proviso shall not be deemed to limit in any way the duties and obligations of exchanges as prescribed by rule 69 hereof.

65. *Statement of Findings*—The committee or local committee as the case may be may prepare and circulate to members or to such members as it thinks fit a statement of its findings on any complaint, charge, or dispute and the penalty (if any) imposed.

66. The committee or local committee as the case may be may make such order as it considers fit regarding the payment of costs of the hearing of any complaint, charge, or dispute.

67. *Transfer Three Months Old*—The committee or local committee may refuse to adjudicate upon any claim by a purchasing member in respect of any transfer that has not been lodged for registration within three months from the date of delivery to the said purchasing member.

68. *Complaints or Charges by Non-members*—It shall not be incumbent upon a local committee to entertain any complaint or charge submitted by a non-member against a member unless such member shall have been employed by the complainant and in that or any other case in which a non-member desires the intervention of the local committee, he shall, previously to the case being heard, submit a statement in writing of such complaint.

#### ENFORCEMENT OF RULING

69. *Enforcement of Ruling*—Where the committee gives any ruling, award, or decision within the powers conferred by these rules such award, ruling, or decision shall be carried into effect by any exchange concerned to the full extent directed by the committee and without in any way limiting the foregoing, each exchange shall, upon the direction of the committee, expel or suspend any of its members or collect from any of its members any fine or penalty directed by the committee to be collected from any of its members.

70. *Actions*—It shall be a condition, precedent to the commencement of any action by a member against any other member upon any matter arising out of any transaction of stockbroking or out of any transaction to which these rules apply, that the dispute shall be first determined in the manner provided by these rules and thereafter action shall be commenced only for the enforcement of the decision given under these rules and then only after the member sued shall have, after 14 days' notice in writing, refused or neglected to carry out such decision. In any action as aforesaid no member shall dispute the correctness of such decision or award, or the fact that it was given in accordance with these rules.

#### DEFAULTING MEMBERS

71. *Member Deemed to be a Defaulter*—A member of an exchange shall be deemed to be a defaulter in each of the following cases:

- (i) Where he is so declared by the chairman of his exchange in accordance with rule 120 (xv).
- (ii) Where, in the opinion of his local committee, he is in difficulties and has failed or is likely to fail to meet his liabilities.

(iii) Where he has committed an act of bankruptcy or has become bankrupt or is insolvent or has called a meeting of his creditors or made a composition with his creditors or assigned his estate for the benefit of his creditors.

(iv) Where, in the opinion of his local committee, any other circumstances justify such member being so declared.

72. *Dealing With Members in Default*—The committee may declare any member a defaulter and may suspend such member from membership of his exchange for such time as it shall think fit. The committee may alternatively require the exchange whereof he is a member to declare such member a defaulter and may also require an exchange a member whereof is in default to deal with such member in accordance with the rules of such exchange.

73. *Member Failing to Meet Engagements*—In any case where it comes to the knowledge of a member that another member of any exchange has failed to meet his engagements such member shall forthwith report the circumstances of the case to the chairman of his own exchange who shall, if the member reported to have failed to meet his engagements be a member of another exchange, forthwith report the circumstances of the case to the chairman of that exchange. Failure to so report such circumstances shall be deemed to be a breach of these rules.

74. The chairman of an exchange upon receiving a report that a member of his exchange has failed to meet his engagements, shall immediately cause an investigation of the matter to be made, and shall simultaneously advise the chairman of all other exchanges that the affairs of such member are under investigation. He shall similarly advise the result of such investigation when completed.

75. *Inquiries Regarding Members*—Where any inquiries as to the credit or position of any member of an exchange are being made by any exchange or by the Association every other exchange shall on request facilitate such inquiries and make all necessary inquiries into dealings of its members with the member whose position is being investigated as aforesaid.

#### MEMBERS' BOOKS OF ACCOUNT AND RECORDS

76. Members shall keep books and records for the purpose of recording their transactions in a form that will enable an auditor to supply the information required by rule No. 78 relating to the audit of members' books.

The committee regard the following books and records as sufficient for the purpose of this rule:

- (1) Bought and sold books, in which must be recorded the name of the buyer and seller respectively of every transaction.
- (2) Cash book, in which must be entered every amount paid or received.
- (3) Journal or system of books fulfilling the function.
- (4) Scrip register, in which shall be entered all securities coming into the office, and showing disposal of same.
- (5) Ledger or ledgers, showing transactions:
  - (i) With clients;
  - (ii) With brokers;
  - (iii) In respect of nominal or person accounts.

77. *Production of Books, etc.*—The committee of an exchange, in addition to the powers conferred by rule 55, shall have full and absolute power at any time to call upon any member to produce forthwith, for inspection by themselves or their duly appointed representatives, all books, letters, telegrams, or copies thereof, and other documents relating to his business of a sharebroker; and they may also require members and their clerks to appear before the committee or their duly appointed representatives at any time, and to give such information as may be required in connection with such business.

#### AUDIT OF MEMBERS' BOOKS

78. When notified by the committee of his exchange, a member shall, within the time specified in such notification, supply to the chairman a certificate of audit and report from a practising public accountant who, failing appointment by mutual consent between the member and the committee, may be appointed by the committee at the expense of the member. The certificate and report shall deal with the following financial matters:

- (1) Balance date.
- (2) Have all books and records required for the purpose of this certificate been regularly and properly kept?
- (3) Have any securities held for safe custody been pledged in any way?
- (4) Were all securities held for safe custody examined?
- (5) If clients are financed, does the market value of the securities held cover the amount of the advance in each case?
- (6) Were all securities lodged by the clients for sale and securities purchased for clients and paid for by them held unencumbered?
- (7) Did the market value of assets (excluding value of seat) as shown by the books, exceed the member's commitments at balance date?
- (8) Were the assets taken into account readily realisable?
- (9) Does the statement of assets include private assets not usually included with business assets?
- (10) Are there any contingent liabilities, and, if so, of what amount? (NOTE—Under this heading a full report must be furnished of any over-sold position.)