

- estate for the benefit of his creditors.
- 22.014 where his regional exchange committee resolves that in its opinion other circumstances exist which justify such member being considered a defaulter in order to protect the financial interests of members or of the investing public or for such other reasons as may be considered to be relevant in the interests of the Exchange and its members in the proper and efficient conduct of the Exchange's affairs.
- 22.02 Where a member has been deemed to be a defaulter under Rule 22.01 that fact shall be communicated forthwith by the chairman to the Executive Director for promulgation to all members.
- 22.03 Contracts with Defaulters—
- 22.031 Subject to the provisions of these Rules every uncompleted contract with a member shall be deemed to be rescinded closed and terminated as from the time he becomes a defaulter and where the contract is partially uncompleted there shall be deemed to be rescission closure and termination as to the uncompleted balance.
- 22.032 The Executive (whose decision shall be final) shall determine the market price on the day the member becomes a defaulter and any surplus or deficiency, in respect of such uncompleted contract or balance thereof shall be determined accordingly.
- 22.033 The defaulter shall be liable to the other member for any such deficiency and such other members shall account to the defaulter for any surplus.
- 22.034 Every member involved with a defaulter on a rescinded contract shall forthwith inform the Exchange of the details.
- 22.04 The Council may declare any member a defaulter and may suspend such member from membership of the Exchange for such time as it shall think fit. The Council may alternatively require the regional exchange of which he is a member to declare such member a defaulter and may also require a regional exchange whereof a member is in default to deal with such member in accordance with these Rules or any of the regulations made hereunder.
- 22.05 In any case where it comes to the knowledge of a member that another member of the Exchange has failed to meet his obligations such member shall forthwith report the circumstances of the case to the chairman of his regional exchange who shall, if the member reported to have failed to meet his obligations be a member of another regional 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.
- 22.06 The chairman of a regional exchange upon receiving a report that a member of his exchange has failed to meet his obligations, shall immediately cause an investigation of the matter to be made and shall simultaneously advise the chairmen of each regional exchange and the Executive that the affairs of such member are under investigation. He shall similarly advise the result of such investigation when completed.
- 22.07 Where any inquiries as to the credit or position of any member of the Exchange are being made by any regional exchange or by the Exchange every other regional 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.
- 23.0 Members' Books of Account and Audit**
- 23.01 Every member shall keep books of account and records containing complete and correct records and explanations of the affairs and transactions of his sharebroking business. The books, records and explanations to be kept shall be such as the Executive shall from time to time determine or prescribe by the regulations. They must be sufficient to enable an auditor to supply the certificate of audit and report as required by Rule 23.02.
- 23.02 When notified by the committee of his regional exchange, a member shall, within the time specified in such notification, supply to the chairman a certificate of audit and report from a practising chartered 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 such financial matters as the Executive shall from time to time determine or prescribe by the regulations.
- 23.03 The committee of a regional exchange, in addition to the powers conferred by Rule 20.44 in respect of Rule 20.15 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, telexes, telegrams or copies thereof, and other documents relating to his business as 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.
- 23.04 Each regional exchange will appoint an Inspector who shall be a chartered accountant in public practice, and not a member of the Exchange. The committee of a regional exchange may, at its sole discretion, appoint one alternate Inspector (who shall be a chartered accountant in public practice and not a member of the Exchange) if for any substantial reason it considers this necessary.
- 23.041 Each Inspector or alternate Inspector shall be directly responsible for work carried out by him under the provisions of these Rules or the regulations.
- 23.042 Neither the Inspector nor the alternate Inspector (if any) nor any member of their firm shall take any part in the accounting work involved with the day to day recording of sharebroking transactions for a member. Provided the principle of independence of the Inspector remains paramount, an Inspector may undertake for a member such accounting work as the preparation of annual accounts from a trial balance supplied by the member, preparing and lodging tax returns, or offering advice to the member on improving his accounting methods or his office procedures.
- 23.05 The Inspector is empowered to inspect the financial records and related documents of each member at any time he considers necessary and to require from any member an explanation of any item or state of affairs whatsoever in relation to the member's sharebroking business, which, in the opinion of the Inspector, appears to need an explanation or to be at variance with these Rules or the regulations or with recognised sharebroking practice.
- 23.051 The Inspector may require to be given access to information concerning the member's assets, either private or of another business when in the Inspector's opinion, it is advisable to demonstrate the member's overall solvency.
- 23.06 The responsibilities of the Inspector are to satisfy himself that the accounts and related subsidiary records of members are being maintained in a satisfactory and systematic manner and are being kept regularly up to date.
- 23.07 The Inspector shall be satisfied that reasonable internal systems and checks exist in member firms not only on the activities of staff members able to initiate and control share transactions and related accounting activities but also on the partners.
- 23.08 Every member shall supply to the Inspector on a continuing basis such information as may be prescribed by the regulations.
- 23.09 The powers in Rule 8.08 (relating to the making of regulations) shall without in any way limiting the powers in that Rule, be deemed to extend to regulations relating to the operation of the Fidelity Guarantee Fund, the inspection of the books of members and the supply by members of monthly returns of balances and other information to an inspector.
- 24.0 Fidelity Guarantee Fund**
- 24.01 There shall be a Fidelity Guarantee Fund ("the fund") for the purpose of meeting just claims from persons who have suffered pecuniary loss from a sharebroking transaction as a result of a member being unable to meet his financial obligations provided however that nothing in this Rule or the establishment and maintenance of the fund shall constitute a legal obligation to any such claimant.
- 24.02 The management of the fund shall be vested in and controlled solely by the Executive which may in its absolute discretion constitute a Fidelity Guarantee Fund Board ("the Board") to assist with such management. The Board shall be accountable to the Executive and shall have such powers as the Executive from time to time determines.
- 24.03 Every member who carries on whether alone or in partnership any business in addition to the business of sharebroking shall give security by bond (at such time for such amount and in such form as shall be determined by the Executive) conditioned to secure the fidelity of such member.
- 24.04 Every member who is in partnership with any person who is not a member (whether or not such person is in the opinion of the Executive actively engaged in sharebroking) shall (in addition to compliance with Rule 24.03) take out and maintain a bond to secure the fidelity of that person