

**Aquis Stock Exchange (AQSE)  
Disciplinary & Appeals Procedure**

**CONSULTATON DRAFT – OCTOBER 2022**

## 1. INTRODUCTION

- 1.1 This document sets out the binding obligations of **issuers** and **member firms** in relation to investigations, enquiries, and **disciplinary proceedings** conducted by **Aquis Stock Exchange**. This document also sets out the **procedures** which **Aquis Stock Exchange** will follow in respect of:
- (a) **disciplinary proceedings** against **issuers** or **member firms** (collectively referred to in this document as **respondents**) in relation to a breach of the **Aquis Stock Exchange rules**;
  - (b) appeals in respect of (i) disciplinary decisions of the **disciplinary committee**, and (ii) decisions in non-disciplinary cases concerning membership and admission to trading taken by **PMAC**;
  - (c) complaints referred to the **appeals committee**.
- 1.2 There are the following elements to the disciplinary process:
- (a) the decision to investigate by the **regulation department** as instructed by the **director of regulation**;
  - (b) following the conclusion of the investigation, any decision by the **regulation department** to recommend to the **PMAC** that it exercise **Aquis Stock Exchange's** powers to impose one or more sanctions;
  - (c) if the **PMAC** approves the **regulation department** imposing sanctions, the **regulation department** shall serve a **warning notice** on the **respondent**;
  - (d) if the **respondent** wishes to challenge the decision leading to the **warning notice**, the matter will be referred to the **disciplinary committee** which will decide the matter in accordance with the procedure set out below;
  - (e) if any party wishes to challenge the decision of the **disciplinary committee**, that party may, on limited grounds, appeal to the **appeals committee** which will decide whether to accept the appeal and if so to decide it according to the procedure set out below. The decision of the **appeals committee** is final and binding; and
  - (f) if a **respondent** does not appeal, the **regulation department** shall issue a **decision notice** which will be final and binding.
- 1.3 The **PMAC** has power to determine (i) applications for admission to trading and (ii) certain membership decisions. It may also take certain adverse actions against the **member firm**. An **issuer** or **member firm** may appeal a non-disciplinary decision of the **PMAC** to the **appeals committee** in accordance with these procedures.
- 1.4 In the event of a conflict between the **procedures** and the provisions of other rules of the **Aquis Stock Exchange** the **procedures** shall prevail.
- 1.5 The glossary at Chapter 8 of this document contains the defined terms used and shown in **bold** throughout.

1.6 Retention of authority

- 1.6.1 **Aquis Stock Exchange** shall retain authority over any **member firm** or **issuer** under these **procedures** for the period of one year from the date it ceases to be a **member firm** or **issuer**.

## 2. INVESTIGATIONS

### 2.1 Initiating an investigation

2.1.1 **Aquis Stock Exchange** may investigate the conduct of a **member firm** and/or **issuer** where it suspects that a breach of the **rules** may have occurred.

2.1.2 Investigations by **Aquis Stock Exchange** will be undertaken by the **regulation department** as instructed by the **director of regulation**.

### 2.2 Requirement to provide information

2.2.1 **Aquis Stock Exchange** or any **person** appointed by it may, for the purpose of determining the compliance of a **member firm** and/or **issuer** with the **rules**, require a **member firm** and/or **issuer** to provide information or to provide such assistance (with or without prior notice), as may be required. Such requests may include but are not limited to requests for:

(a) the provision of accurate information in respect of transactions (including off-market transactions) in **Aquis Stock Exchange securities** in such format, as may be prescribed including but not limited to electronic format;

(b) the production of documentation including but not limited to email, fax, letters, agreements, orders, telephone transcripts and any other documentation in its possession, custody, power or control;

(c) the request for an **employee** of a **member firm** and/or **issuer** to attend an interview and answer questions and provide explanations as to the conduct of the **member firm** and/or **issuer**, which answers and explanations may be recorded; and

(d) a **member firm** and/or **issuer** to allow any **person** appointed by **Aquis Stock Exchange** to enter the **member firm** and/or **issuer's** premises during normal office hours for the purpose of inspecting the documents and other records of the **member firm** and/or **issuer** concerned.

### 2.3 Respondents to co-operate

2.3.1 **Each member firm** and/or **issuer** shall co-operate fully with any request for information, assistance, the production of documentation, a meeting with an **employee** or an inspection, such request to be actioned within the time frame as specified by **Aquis Stock Exchange** (it acting reasonably), in particular, a **member firm** and/or **issuer** shall make its **employees** available for interview and shall procure that they answer all questions truthfully and comprehensively.

2.3.2 No **respondent** shall be required to produce any document that is legally privileged.

2.3.3 All information a **member firm** and/or **issuer** provides shall be full, complete, accurate and not misleading, and the **member firm** and/or **issuer** concerned shall immediately notify **Aquis Stock Exchange** of any fact or matter which makes, or may make, any information provided false, misleading or inaccurate.

2.3.4 **Aquis Stock Exchange** may require a **member firm** and/or **issuer** to verify any

information provided to it.

- 2.3.5 Failure of a **member firm** and/or **issuer** to comply with any of paragraphs 2.2 and 2.3 is a breach of the **rules** and the **procedures**.
- 2.4 Notification to the member firm and/or issuer
  - 2.4.1 **Aquis Stock Exchange** may, if it considers it appropriate, notify the subject of an investigation that an investigation is in progress. In such cases, any submissions made by the **member firm** and/or **issuer** to **Aquis Stock Exchange** will be considered by **Aquis Stock Exchange** in the investigation.
- 2.5 Member firm and/or issuer's responsibility for its employees and agents
  - 2.5.1 Each **member firm** and/or **issuer** is responsible for the conduct of its **employees** and agents, whose conduct shall be treated for the purposes of these **procedures** as the conduct of the **member firm** and/or **issuer** concerned.
- 2.6 Record keeping
  - 2.6.1 **Aquis Stock Exchange** will store records of its investigations and corresponding documentation for a period of at least 6 years, or such other period as dictated by relevant laws and/or regulations from time to time.

### 3. DISCIPLINARY PROCEEDINGS

- 3.1 If following the conclusion of an investigation, the **regulation department** considers that it may be appropriate to impose one or more sanctions as set out in paragraphs 3.4 and 3.5.1, the **regulation department** will recommend that the **PMAC** agree to exercise **Aquis Stock Exchange's** powers to impose on the **respondent** such sanctions.
- 3.2 **Aquis Stock Exchange** will consider the full circumstances of each case when determining whether or not to impose a sanction. Set out below is a list of factors that may be relevant for this purpose. The list is not exhaustive: not all of these factors may be applicable in a particular case, and there may be other factors, not listed, that are relevant.
- 3.2.1 The nature, seriousness and impact of the suspected breach, including:
- (a) whether the breach was deliberate or reckless;
  - (b) the duration and frequency of the breach;
  - (c) the amount of any benefit gained or loss avoided as a result of the breach;
  - (d) whether the breach reveals serious or systemic weaknesses of the management systems or internal controls relating to all or part of a **respondent's** business;
  - (e) the impact or potential impact of the breach on the orderliness of markets including whether confidence in those markets has been damaged or put at risk;
  - (f) the loss or risk of loss caused to investors or other market users;
  - (g) the nature and extent of any financial crime facilitated, occasioned or otherwise attributable to the breach; and
  - (h) whether there are a number of smaller issues, which individually may not justify disciplinary action, but which do so when taken collectively.
- 3.2.2 The conduct of the **member firm** and/or **issuer** after the breach, including the following:
- (a) how quickly, effectively and completely the **respondent** brought the breach to the attention of the **Aquis Stock Exchange** or another relevant regulatory authority;
  - (b) the degree of co-operation the **respondent** showed during the investigation of the breach;
  - (c) any remedial steps the **respondent** has taken in respect of the breach;
  - (d) the likelihood that the same type of breach (whether on the part of the **respondent** under investigation or others) will recur if no action is taken;
  - (e) whether the **respondent** concerned has complied with any requirements or rulings of another regulatory authority relating to his behaviour (for example, where relevant, those of the Takeover Panel, the FCA or another RIE); and
  - (f) the nature and extent of any false or inaccurate information given by the

**respondent** and whether the information appears to have been given in an attempt to knowingly mislead the **Aquis Stock Exchange**.

- 3.2.3 The previous disciplinary record and compliance history of the **member** and/or **issuer** including:
- (a) whether the **Aquis Stock Exchange** (or any other regulator) has taken any previous disciplinary action resulting in adverse findings against the **respondent**;
  - (b) whether the **respondent** has previously undertaken not to do a particular act or engage in particular behaviour;
  - (c) whether the **Aquis Stock Exchange** (or any other regulator) has previously taken protective action in respect of the **respondent**, or has previously requested the respondent to take remedial action, and the extent to which such action has been taken; and
  - (d) the general compliance history of the **respondent**, including whether the **Aquis Stock Exchange** (or any other regulator) has previously issued the respondent with a private warning.
- 3.2.4 **Aquis Stock Exchange** and/or, where relevant, the **FCA**, guidance and other published materials. The **Aquis Stock Exchange** will not take action against a **respondent** for behaviour that it considers to be in line with guidance, other materials published by the **Aquis Stock Exchange**, and/or, where relevant, the **FCA** in support of the **rules** or **FCA**-confirmed industry guidance which were current at the time of the behaviour in question.
- 3.2.5 FCA-recognised industry codes: Behaviour that is in line with an FCA-recognised industry code will tend to indicate compliance, in carrying out unregulated activities, with applicable **FCA** rules that reference 'proper standards of market conduct'. In such cases, the **Aquis Stock Exchange** will usually not take action against a **respondent** for behaviour, in relation to unregulated activities, that it considers to be in line with the relevant FCA-recognised industry code.
- 3.2.6 Action taken by other domestic or international regulatory authorities or other RIEs: Where other regulatory authorities propose to take action in respect of the breach which is under consideration by the **Aquis Stock Exchange**, or one similar to it, the **Aquis Stock Exchange** will consider whether the other authority's action would be adequate to address the **Aquis Stock Exchange's** concerns, or whether it would be appropriate for the **Aquis Stock Exchange** to take its own action.
- 3.2.7 The impact, having regard to the nature of the behaviour that the sanction may have on the financial markets or on the interest of investors. A penalty may show that high standards of market conduct are being enforced by the **Aquis Stock Exchange**, and may bolster market confidence. A penalty may also protect the interest of investors by deterring future non-compliance with the **rules** and improving standards of conduct in the market.
- 3.3 In respect of the extent to which the **rule** breach was deliberate, negligent or reckless the **Aquis Stock Exchange** may have regard to whether the **respondent's** behaviour was intentional; that is, whether the **respondent** intended or foresaw the consequences or could reasonably have foreseen the consequences. The matters to which the **Aquis Stock Exchange** may have regard include but are not limited to:

- (a) the **respondent's** failure to comply with its internal procedures, professional advice or guidance from **Aquis Stock Exchange** itself;
- (b) the **respondent** taking decisions beyond its field of competence; and
- (c) evidence that the **respondent** gave consideration to the consequences of the breach.

### 3.4 Sanctions against issuers

#### 3.4.1 Where the **respondent** is an **issuer**, **Aquis Stock Exchange** may impose one or more of the following sanctions:

- (a) a private reprimand (which may be admissible in proceedings arising from any subsequent breach of the **rules** by the **issuer**);
- (b) a public censure (either on a named or unnamed basis);
- (c) a financial penalty; and/or
- (d) withdrawal of the **issuer's securities** from trading on **Aquis Stock Exchange**.

#### 3.4.2 **Aquis Stock Exchange** may also inform the **issuer's** regulator or any other appropriate regulatory authority of its determination that the **issuer** breached the **rules**. **Aquis Stock Exchange** will ordinarily inform the **FCA** in relation to an **issuer**.

### 3.5 Sanctions against member firms

#### 3.5.1 Where the **respondent** is a **member firm**, **Aquis Stock Exchange** may impose one or more of the following sanctions:

- (a) a private reprimand (which shall be admissible in proceedings arising from any subsequent breach of the **rules** by the **member firm**);
- (b) a public censure (either on a named or unnamed basis);
- (c) a financial penalty;
- (d) restrictions on the **member firm's** business activities in **Aquis Stock Exchange**;
- (e) a suspension of membership of **Aquis Stock Exchange**; and/or
- (f) withdrawal of membership of **Aquis Stock Exchange**.

#### 3.5.2 **Aquis Stock Exchange** may also inform the **member firm's** regulator or any other appropriate regulatory authority of its decision that the **member firm** breached the **rules**.

### 3.6 Procedure following imposition of sanctions by Aquis Stock Exchange

#### 3.6.1 Where the **regulation department**, with the approval of the **PMAC**, decides to exercise its powers under paragraphs 3.4 and 3.5, it shall, as soon as practicable, serve a **warning notice** on the **respondent**.



- 3.6.2 A **warning notice** shall, unless **Aquis Stock Exchange** is precluded by any legal or regulatory prohibition, summarise the facts upon which its determination is based, include any other information relevant to its decision, and contain particulars of the breach(es).
- 3.6.3 If a **respondent** wishes to challenge a decision of **Aquis Stock Exchange** it may, within **10 business days** of the date of receipt of the **warning notice**, refer (such referral to be in writing) the matter to the **disciplinary committee**. A sanction set out in a **warning notice** shall not become effective while the **respondent's** challenge is under consideration or until a **decision notice** is served by **Aquis Stock Exchange**.
- 3.6.4 If a **respondent** does not refer a matter to the **disciplinary committee** within the **10 business days** time limit specified in paragraph 3.6.3, the **regulation department** shall then issue a **decision notice** in respect of the sanctions imposed under paragraphs 3.4 ad 3.5 which shall be final and binding on the **respondent**.
- 3.6.5 If **Aquis Stock Exchange** imposes sanctions pursuant to paragraphs 3.4.1(b), 3.4.1(c), or 3.4.1(d) on an **issuer**, or paragraphs 3.5.1(b), 3.5.1(c), 3.5.1(d), 3.5.1(e), 3.5.1(f) on a **member firm**, the **decision notice** shall be published as a **market notice**.
- 3.7 Settlement
- 3.7.1 **Aquis Stock Exchange** and the **respondent** may without prejudice negotiate a **consent order** in full and final settlement of any proceedings at any stage up until the commencement of a hearing before the **disciplinary committee** notwithstanding any referral by the **respondent** to the **disciplinary committee**.
- 3.7.2 All **steps** to agree a **consent order** shall be market confidential information, and may not be referred to in any proceedings before the **disciplinary committee**.
- 3.7.3 The terms of a **consent order** shall be agreed by the **regulation department** subject to the approval of **PMAC** and have the same effect as an order of the **disciplinary committee**, save that there is no entitlement to appeal a **consent order**. In considering appropriate settlement terms the **PMAC** shall be required to have regard to the considerations set out at paragraph 52 and the recommendation of the **regulation department** before approving a **consent order** on **Aquis Stock Exchange's** behalf.

#### 4. DISCIPLINARY COMMITTEE (1ST APPEAL)

- 4.1 If a **respondent** wishes to challenge a decision of the **regulation department** it may, within **10 business days** of the date of receipt of the **warning notice**, refer (such referral to be in writing) the matter to the **disciplinary committee**.
- 4.2 Membership of the Disciplinary Committee
- 4.2.1 The chairperson of the **disciplinary committee** will be a suitably experienced independent person appointed by **Aquis Stock Exchange**. There may be more than one chairperson appointed by **Aquis Stock Exchange** where more than one **disciplinary committee** is established at any point in time to consider unrelated matters.
- 4.2.2 Subject to paragraph 4.2.7, a **disciplinary committee** shall have not less than three members. The chairperson will appoint members to a **disciplinary committee** on a case by case basis and anyone who has been appointed will count as a member of the **disciplinary committee**. In appointing members to the **disciplinary committee**, the chairperson shall have regard to the matters being referred to the **disciplinary committee** and may take such advice as to the appropriate composition of the **disciplinary committee** as he or she may in his or her discretion consider appropriate. Members of the **disciplinary committee** (other than the chairperson) will be appointed from suitably qualified **persons**. No member of the **disciplinary committee** (including the chairperson) shall be a member of **Aquis Stock Exchange** or **AQUIS** or employee of **Aquis Stock Exchange** or **AQUIS**, or have any interest, whether direct or indirect, in any matters before the **disciplinary committee** nor shall they be a member of the **regulation department**. It shall be the duty of each member of the **disciplinary committee** to notify the chairperson of any possible conflict of interest they may have at the earliest opportunity.
- 4.2.3 Once a **disciplinary committee** has been established, the **Secretary** will notify the parties. Any party having any objection to the chairperson or any **disciplinary committee** member shall notify the **Secretary** of the **disciplinary committee** within ten **business days** of being advised of the membership of the panel who shall in turn notify the chairperson. The **disciplinary committee** excluding any member objected to and having a quorum of two, shall consider any either uphold or reject the objection. If the **disciplinary committee** upholds an objection, it may appoint another **person** to the panel to replace any relevant member and, where the upheld objection relates to the chairperson, an alternative chairperson will be appointed in his place. In all cases, the appointment of a replacement shall be made in accordance with the **disciplinary rules**.
- 4.2.4 Where a hearing of any matter referred to the **disciplinary committee** has commenced, it shall have a quorum of three (one of whom must be the chairperson). A further member or members may be appointed by the chairperson to replace any member unable to act for whatever reason.
- 4.2.5 The **disciplinary committee** shall have a **secretary** appointed by **Aquis Stock Exchange** (who will be an employee of **Aquis Stock Exchange** or **AQUIS**).
- 4.2.6 The **secretary** will carry out any administrative functions relating to the **disciplinary committee** under the direction of the chairperson of the **disciplinary committee**. Any notices, notifications and other documents required to be submitted to the **disciplinary committee** must be served upon the **secretary**, who will ensure that copies are provided to the other parties, the members of the **disciplinary committee** or the legal adviser as appropriate. Any notice or communication relating to proceedings before the **disciplinary**

**committee** shall be addressed to the **secretary**.

- 4.2.7 In assessing the composition of the **disciplinary committee**, the Chairperson shall have regard to dealing with proceedings justly and at proportionate cost. To this end, the Chairperson shall be mindful of, inter alia, the following factors:
- (a) the nature of the alleged breach;
  - (b) the amount of money involved (if any);
  - (c) the impact of the alleged breach;
  - (d) the complexity of the issues; and
  - (e) ensuring that it is dealt with expeditiously and fairly.
- 4.2.8 Following consideration of the above factors, the Chairperson may determine that the **disciplinary committee's** composition may derogate from the requirements of paragraph 4.2.2 and that subject to the written consent of the **respondent(s)** the chairperson may elect to convene a **disciplinary committee** with only him/herself acting as the **disciplinary committee** with full authority and powers afforded to such committee.
- 4.3 Powers of the Disciplinary Committee
- 4.3.1 The **disciplinary committee** shall have power to confirm, modify or quash any or all of the sanctions set out in a **warning notice** issued pursuant to paragraph 3.6. Except in circumstances where the **disciplinary committee** decides to quash a **warning notice**, the decision will be implemented by the **regulation department** serving a **decision notice** on the **respondent**. In the event that an appeal is filed pursuant to paragraph 5.1, the serving of a **decision notice** will be deferred pending consideration of such appeal. A **decision notice** shall be published as a **market notice**.
- 4.4 Confidentiality
- 4.4.1 Other than as set out in the **procedures**, and other than as between the parties and their respective advisers, all parties and their advisers shall keep confidential any information disclosed for the purpose of bringing or defending **disciplinary proceedings** save where disclosure is permitted or required by law.
- 4.5 Procedure
- 4.5.1 Where **Aquis Stock Exchange** has been notified of a referral made by a **respondent** in response to a **warning notice** pursuant to paragraph 4.1, **Aquis Stock Exchange** shall prepare and (through the duly appointed **secretary** for the particular referral) within 20 **business days** serve upon the **respondent** and file with the **disciplinary committee** a statement of case together with copies of all documents relied upon. The statement of case shall give particulars of the alleged **rule** breach, and summarise the facts upon which the determination of **Aquis Stock Exchange** is based.
- 4.5.2 In the case of a **member firm** or **issuer**, where a matter involves more than one **member firm** or **issuer**, but which concerns related matters, the **disciplinary committee** may hear all such cases at the same time, unless it would not be fair and practicable to do so.

4.5.3 Following service of a statement of case, the **respondent** may submit to the **disciplinary committee** a statement in response and shall submit a statement of all material facts and attach to it copies of all documents relied upon. This defence shall be served on **Aquis Stock Exchange** and filed with the **disciplinary committee** within 20 **business days** of the receipt by the **respondent** of the statement of case and all documents relied on referred to above.

4.6 Directions

4.6.1 Any party to proceedings before the **disciplinary committee** may apply at any time for directions in relation to any aspect of the proceedings. The **disciplinary committee** may, if it considers it relevant, issue directions and take such other steps as they may deem appropriate and generally for the just, efficient and expeditious determination and presentation of the issues. Such directions may include but are not limited to:

- (a) fixing a time and place for any pre-hearing review and any hearing;
- (b) with the written consent of all the parties, directing that the hearing or any part of the hearing shall proceed by written representations;
- (c) recording any admissions made by any party and any request to any party to make admissions;
- (d) directing any party to indicate whether it admits any particular facts or documents;
- (e) directing any party to disclose and serve copies of any documents;
- (f) setting any time limits for any purpose of the proceedings;
- (g) extending or abridging time limits;
- (h) adjourning the pre-hearing review, with such orders as it thinks fit;
- (i) granting permission to amend (including adding documents to) any statement submitted to the **disciplinary committee**;
- (j) varying any previous directions; and
- (k) making any order in favour of **Aquis Stock Exchange** for the payment of costs of or in connection with pre-hearing preparation or any pre-hearing review.

4.6.2 The chairperson of the **disciplinary committee** sitting alone may give any directions or may hold one or more pre-hearing reviews for the purposes of paragraph 4.6.1.

4.7 The Hearing

4.7.1 The **disciplinary committee** shall hear and determine matters referred to it by **Aquis Stock Exchange** or a **respondent** within 40 **business days** of the referral pursuant to paragraph 4.1 or the serving of a statement of response pursuant to paragraph 4.5.3, whichever comes later. The parties will be given not less than 3 **business days**' notice in writing of the time and place of any pre-hearing review and 7 **business days**' notice in writing of the time and place of the hearing by the **secretary**. A shorter notice period

may be agreed between the **respondent** and **Aquis Stock Exchange**.

- 4.7.2 Any party may submit evidence to the **disciplinary committee** and serve it on the other party at any time until 4 **business days** before the hearing. The **disciplinary committee** may at their discretion accept and consider evidence submitted after this time provided the receiving party has had a fair opportunity to consider and respond to it.
- 4.7.3 Unless otherwise ordered by the **disciplinary committee**, at the hearing each party may present evidence or call witnesses, who may be cross-examined and re-examined by the relevant parties and questioned by, and make submissions to, the **disciplinary committee**.
- 4.7.4 Where any allegation has been proved to the satisfaction of the **disciplinary committee**, representations made by any of the parties will be taken into account in deciding whether to confirm, modify or quash a sanction set out in a **warning notice** in addition to a consideration of the matters prescribed in paragraph 3.2.
- 4.7.5 The **disciplinary committee** shall not be bound by any rule of law or court procedure concerning the admissibility of evidence but it shall be required to observe the principle of fairness and natural justice. At a hearing, the **disciplinary committee**:
- (a) may admit any evidence whether oral or written, whether direct or hearsay;
  - (b) make any directions which may be given at a pre-hearing review, and vary any direction which has been made; and
  - (c) make all such directions with regard to the conduct of any procedure at the hearing as the **disciplinary committee** considers appropriate for securing a proper opportunity for each party to present its case and otherwise as may be just.
- 4.7.6 When considering whether a **respondent** has breached the **rules**, the **disciplinary committee** shall take into account any evidence before them and the circumstances in which the breach of the **rules** occurred. The **disciplinary committee** shall adopt a civil standard of proof (namely to assess evidence on the 'balance of probabilities').
- 4.7.7 Any finding of fact of any court of competent jurisdiction, or other tribunal or other regulatory authority, including the **FCA**, which has not been set aside and is not subject to appeal, may be taken by the **disciplinary committee** as conclusive evidence of that fact.
- 4.7.8 All proceedings before the **disciplinary committee** will be confidential and conducted in private. However, any party to the proceedings may ask for directions in accordance with paragraph 4.5 to have any **disciplinary committee** proceedings conducted in public, in which case the **disciplinary committee** shall decide whether the public should be admitted to such proceedings. Should the public be admitted, the **disciplinary committee** may give directions as to any reporting of the proceedings including directions as to any statements issued to the press by the parties.
- 4.7.9 Any party may be represented, or accompanied, by a lawyer or other suitable person at any interview, pre-hearing review or hearing provided at least 2 **business days** advance notice is given to the other party, the **regulation department** or the **disciplinary committee**, as the case may be.

- 4.7.10 If any party fails to attend or be represented at a pre-hearing review or a hearing, the **disciplinary committee** may proceed in the absence of that party and may in the absence of that party make such findings as to the facts as they think appropriate.
- 4.8 Records of disciplinary committee proceedings
- 4.8.1 A record of any pre-hearing review will be made at the request of any party to the proceedings or if the chairperson of the **disciplinary committee** conducting the pre-hearing review so decides. A transcript or copy of the record may be made available to a party on payment of the cost of making such transcript.
- 4.8.2 A record of a hearing will be made. A transcript or copy of the record will be made available to a party on payment of the cost of making such transcript.
- 4.9 Disciplinary committee deliberations and decisions
- 4.9.1 The **disciplinary committee** may deliberate at any time. The **disciplinary committee** may adjourn any pre-hearing review and any hearing at any time as the members think fit. The **disciplinary committee** is entitled to reach decisions on a majority basis. Where a majority decision is reached, this fact will not be disclosed. In the case of an equality of votes, the chairperson shall have a second or casting vote
- 4.9.2 **Aquis Stock Exchange** or, if appropriate, any **respondent** referring a matter to the **disciplinary committee**, may at any time discontinue such proceedings in which case such proceedings shall immediately be concluded, save that the **disciplinary committee** may make such order as to costs to be awarded to **Aquis Stock Exchange** as they shall consider appropriate.
- 4.9.3 Following the conclusion of the hearing, the **disciplinary committee** will deliver a written decision to the parties comprising:
- (a) the decisions, including any sanction(s) to be implemented by decision notice;
  - (b) the reasons for the decisions; and
  - (c) any order for costs to be awarded to **Aquis Stock Exchange**.
- 4.9.4 Prior to the imposition of any sanction, the **respondent** to which the proceedings relate shall have the opportunity to make a statement in mitigation, addressing the principles set out at paragraph 3.2.
- 4.10 Costs
- 4.10.1 The **disciplinary committee** may, after giving each party to the proceedings the opportunity to make submissions as to costs, award costs to **Aquis Stock Exchange** in respect of such reasonable costs as it thinks fit within a reasonable time period. Costs will not be awarded against **Aquis Stock Exchange** unless the **respondent** can demonstrate bad faith on **Aquis Stock Exchange's** part.
- 4.11 Conclusion of disciplinary proceedings, payment of fines and publication of sanctions
- 4.11.1 Any proceeding referred to the **disciplinary committee** (or if applicable discontinuance in accordance with paragraph 4.9.2), will be deemed 'concluded' immediately upon

service of its written decision upon the parties (or following the written decision of the **appeals committee** of the outcome of the appeal or the decision not to accept the appeal) and any fine or costs ordered shall be paid within 20 **business days** of the conclusion of the **disciplinary proceedings**.

4.11.2 Following the conclusion of **disciplinary proceedings**, **Aquis Stock Exchange** may (and will do so if ordered by the **disciplinary committee** or **appeals committee**):

(a) publish the fact that **disciplinary proceedings** have been instigated; or

(b) publish the fact that an appeal has been considered;

and in each case publish part or all of any written decision given by the **disciplinary committee** or **appeals committee**, as the case may be, or a summary of it, except where no sanction has been imposed or where the only sanction imposed is a private reprimand.

4.12 Changes to the procedures

4.12.1 The **disciplinary committee** shall have a general and unfettered power to regulate its own proceedings and may, if it thinks appropriate, waive, suspend, vary or adapt any of these **procedures** in such manner as it considers fair and reasonable in the circumstances of any particular case.

## 5. APPEALS COMMITTEE (2ND APPEAL)

- 5.1 Any party to proceedings before the **disciplinary committee** dissatisfied with its decision (or any part of it) may, within 10 **business days** of being notified of the written decision, appeal to the **appeals committee**. Such appeal may only be made on the grounds that:
- (a) the **disciplinary committee** misdirected itself;
  - (b) the decision of the **disciplinary committee** was:
    - (i) one which no reasonable decision maker exercising the functions of the **disciplinary committee** could have reached;
    - (ii) not supported by the evidence or was against the weight of evidence; or
    - (iii) based on an error of law or a misinterpretation of the **rules**;
  - (c) the sanction or other determination imposed by the **disciplinary committee** was excessive, insufficient or inappropriate; or
  - (d) new evidence has become available which, had it been before the **disciplinary committee**, might reasonably be expected to have led the **disciplinary committee** to reach or to have imposed a different conclusion, provided that such evidence is new and not evidence which could (but was not) put before the **disciplinary committee**.
- 5.2 Appeals must be made by service of notice in writing, setting out the name of the **appellant**, the decision appealed against, the grounds of the appeal, the principal matters relied upon and attaching copies of any documents relied upon by the **appellant** to the **secretary** to the **appeals committee** who will, as soon as reasonably practicable, serve a copy on every other party. Where the **appellant** wishes to rely on evidence or documentation that was not before the **disciplinary committee** this shall be stated in the notice together with details of such evidence and copies of such documentation shall be attached to the notice. If the notice of the appeal does not, in the opinion of the **appeals committee** satisfy any of the grounds above the **appeals committee** shall reject the appeal by notice in writing to the parties.
- 5.3 The **appeals committee** may, at its discretion, accept an appeal prescribed in paragraph 5.1 after the time for making an appeal.
- 5.4 Proceedings of the appeals committee
- 5.4.1 The chairperson of the **appeals committee** will be an external barrister or solicitor appointed by **Aquis Stock Exchange**. There may be more than one chairperson appointed by **Aquis Stock Exchange** where more than one **appeals committee** is established at any point in time to consider unrelated matters.
- 5.4.2 Subject to paragraph 5.4.16, the **appeals committee** shall have at least three independent members. The chairperson will appoint at least two other external independent persons to an **appeals committee** on a case by case basis. In appointing members to the **appeals committee**, the chairperson shall have regard to the matters being referred and the expertise required for a particular matter and may take such advice as to the membership of the **appeals committee** as he or she considers appropriate. No member of the **appeals committee** (including the chairperson) shall be a member or employee of **Aquis Stock Exchange** or **AQUIS**, or have any interest, whether direct or indirect, in any matters before the **appeals committee**. No member of the **appeals**



- committee** shall have been a member of the **disciplinary committee** or the **PMAC** that heard the matter. It shall be the duty of each member of the **appeals committee** to notify the chairperson of any possible conflict of interest they may have at the earliest opportunity.
- 5.4.3 The **appeals committee** shall have a secretary appointed by **Aquis Stock Exchange** (who will be an employee of **Aquis Stock Exchange** or **AQUIS**).
- 5.4.4 The **secretary** will carry out any administrative functions relating to the **appeals committee** under the direction of the chairperson. Any notices, notifications and other documents required to be submitted to the **appeals committee** must be served upon the **secretary**, who will ensure that copies are provided to the other parties or, as the case may be, the members of the **appeals committee** or the legal adviser as appropriate. Any notice or communication relating to proceedings before the **appeals committee** shall be addressed to the **secretary**.
- 5.4.5 Once an **appeals committee** has been established, the **secretary** will notify the parties. Any party having any objection to the chairperson or any **appeals committee** member shall notify the **secretary** of the **appeals committee** within 10 **business days** of being advised of the membership of the **appeals committee**, who shall in turn notify the chairperson. The **appeals committee**, excluding any member objected to and having a quorum of two, shall either uphold or reject the objection. If the **appeals committee** upholds an objection, the chairperson may appoint another **person** to the **appeals committee** to replace any relevant member and, where the upheld objection relates to the chairperson, an alternative chairperson will be appointed in his place. In all cases, the appointment of a replacement shall be made in accordance with the **procedures**.
- 5.4.6 The chairperson may appoint a qualified legal adviser who shall be independent of any party. Such legal adviser will not be counted as a member of the **appeals committee** but shall advise the **appeals committee** on legal matters. The **appeals committee** may replace the legal adviser at any stage in proceedings.
- 5.4.7 The **appeals committee** shall adopt the same procedures and may impose the same powers as the **disciplinary committee** and will complete its review as quickly as is reasonably practicable.
- 5.4.8 If all parties consent, such consent to be in writing addressed to the **secretary** of the **appeals committee**, the appeal may be by written submissions only.
- 5.4.9 The **appellant** shall prepare and (through the duly appointed **secretary** for the particular appeal) serve a statement of case together with copies of all documents relied upon. The statement of case shall set out the grounds and all material facts relied upon to contest the original decision of the **disciplinary committee** or the **PMAC**.
- 5.4.10 The burden of proof shall be on the **appellant** and the **appeals committee** will adopt a civil standard of proof (i.e. to assess evidence on the balance of probabilities).
- 5.4.11 In the case of an equality of votes, the chairperson shall have a second or casting vote, which shall be exercised in favour of upholding the decision of the **disciplinary committee** or the **PMAC** on appeal. In the event that the **appeals committee** decides to modify or quash the original decision of the **disciplinary committee** or the **PMAC** orders, the **regulation department** will take all measures necessary to implement the decision of the **appeals committee**. If the **appeals committee** upholds the original

decision of the **disciplinary committee** in favour of the **appellant** the **regulation department** shall serve a **decision notice** on the **issuer** or **member firm** to confirm the contents of the **warning notice**. Such **decision notice** shall be published as a **market notice**.

- 5.4.12 Where a matter has been referred to the **appeals committee**, **disciplinary proceedings** will be deemed 'concluded' immediately following service of the written decision of the **appeals committee** upon the parties and any fine or costs ordered shall be paid within 20 **business days** of the conclusion of the **disciplinary proceedings**.
- 5.4.13 The decision of the **appeals committee** is final and binding.
- 5.4.14 The **appeals committee** may make an order as to costs of the appeal as it shall consider appropriate.
- 5.4.15 In assessing the composition of the **appeals committee**, the chairperson shall have regard to dealing with the appeal proceedings justly and at proportionate cost. To this end, the chairperson shall be mindful of, inter alia, the following factors:
- (a) the nature of the alleged breach;
  - (b) the amount of money involved (if any);
  - (c) the impact of the alleged breach;
  - (d) the complexity of the issues; and
  - (e) ensuring that it is dealt with expeditiously and fairly.
- 5.4.16 Following consideration of the above factors, the Chairperson may determine that the **appeals committee's** composition may derogate from the requirements of paragraph 5.4.2 and that subject to the written consent of the appellant(s) the Chairperson may elect to convene an **appeals committee** with only him/herself acting as the **appeals committee** with full authority and powers afforded to such committee.

## 6. NON-DISCIPLINARY APPEALS

- 6.1.1 **Aquis Stock Exchange** has reserved the power to determine (i) applications for admission to trading, and (ii) certain membership decisions to the **PMAC** – including the approval of membership applications.
- 6.1.2 Where, in its discretion, upon a recommendation from the **regulation department** the **PMAC** considers that, as a result of a breach of the **rules**, a **member firm** no longer meets the requirements of membership (or is no longer fit and proper to be a **member firm**), it may:
- (a) impose a **precautionary suspension** on the **member firm** (with or without prior notice) in the circumstances prescribed set out in paragraph 6.1.4;
  - (b) impose such conditions on the **member firm** as it considers appropriate (with or without prior notice);
  - (c) withdraw the **member firm's** membership of **Aquis Stock Exchange**;
  - (d) inform the **FCA** (and, if different, the **member firm's** competent authority) or any other appropriate authority of its decision that the **member firm** breached the **rules**; or
  - (e) combine its use of any of the powers referred to in sub-paragraphs (a) – (d) above.
- 6.1.3 A **member firm** will be informed of any decision taken in accordance with paragraph 6.1.2. A withdrawal of membership will not become effective until the relevant **member firm** has exhausted its right of appeal pursuant to paragraph 4.12.1. Unless precluded by any legal or regulatory prohibition **Aquis Stock Exchange** shall summarise the facts upon which its decision is based, include any other information relevant to its decision, contain particulars of any breach(s), and in the case of a **precautionary suspension**, set out any conditions to be satisfied for lifting the suspension.
- 6.1.4 A **member firm** will be considered no longer be fit and proper to be a **member firm** if it has:
- (a) impaired or is likely to impair the integrity of the markets operated by **Aquis Stock Exchange**;
  - (b) poses unacceptable risks to its clients or investors in **Aquis Stock Exchange**; or
  - (c) has caused or is likely to cause its clients to fail to breach their responsibilities under the **rules**.
- 6.1.5 An **issuer** or **member firm** dissatisfied with a non-disciplinary decision (or any part of it) made by the **PMAC** may, within 10 **business days** of being notified of the decision, appeal to the **appeals committee**. Such appeal may only be made on the grounds that:
- (a) the **PMAC** misdirected itself;
  - (b) the decision of the **PMAC** was:
    - (i) one which no reasonable decision maker exercising the functions of the **PMAC** could have reached;

- (ii) not supported by the evidence or was against the weight of evidence; or
- (iii) based on an error of law or a misinterpretation of the **rules**.

## 7. PENALTIES

7.1 The use of funds received for penalties

7.1.1 All financial penalties imposed as a result of these **procedures** will be applied by **Aquis Stock Exchange** on a case by case basis at its absolute discretion, subject to the condition that such funds must be applied in any of the following ways:

(a) towards meeting expenses incurred by **Aquis Stock Exchange** in the course of the investigation of the breach in respect of which the penalty is paid, or in the course of any appeal against the decision of **Aquis Stock Exchange** in relation to that breach;

(b) for the benefit of users of **Aquis Stock Exchange** facilities; and

(c) for charitable purposes.

7.2 Enforcing penalties

7.2.1 Where a sanction is applied in accordance with the **procedures**, **Aquis Stock Exchange** may take all such steps that it is legally entitled to in order to enforce the **respondent's** compliance with that sanction.

7.2.2 Where a **respondent** is notified of a financial penalty imposed on it as the result of the **procedures** and that penalty remains unpaid within 20 **business days** of notification, **Aquis Stock Exchange** may suspend that **respondent's** use of **Aquis Stock Exchange** facilities. Where that financial penalty remains unpaid for a further 10 **business days**, **Aquis Stock Exchange** may permanently exclude the **respondent** from using **Aquis Stock Exchange** facilities.

## 8. GLOSSARY

In these **procedures** the following terms and expressions shall have the following meanings unless the context otherwise requires, and similar expressions shall be construed consistently with them unless the context otherwise requires:

<b>Term</b>	<b>Definition</b>
<b>appeals committee</b>	The committee established by <b>Aquis Stock Exchange</b> to hear and determine appeals from the <b>disciplinary committee</b> or the <b>PMAC</b> as the case may be
<b>appellant</b>	Any party making a referral to the <b>appeals committee</b> pursuant to paragraph 56
<b>associate</b>	In relation to any <b>person</b> , means that <b>person's</b> wife, husband, parent, minor child, child in full time education or step-child, any body corporate of which that <b>person</b> is a director, a trustee of a trust of which the beneficiaries include that <b>person</b> , any <b>person</b> who is the <b>employee</b> or partner of that <b>person</b> and, if that <b>person</b> is a body corporate, any <b>subsidiary</b> or <b>holding company</b> of that <b>person</b> and any <b>employee</b> of any such <b>subsidiary</b> or <b>holding company</b>
<b>Aquis</b>	Aquis Exchange plc, a company incorporated in England with registered company number 07909192 whose registered office is located at Palladium House, 1-4 Argyll Street, London, United Kingdom, W1F 7LD, or any of its <b>group companies</b>
<b>Aquis Stock Exchange</b>	Aquis Stock Exchange Limited, a company incorporated in England with registered company number 4309969 and the <b>RIE</b> , as appropriate. References to <b>Aquis Stock Exchange</b> shall include, where relevant, references to employees of <b>Aquis Stock Exchange</b> or the <b>regulation department</b>
<b>Aquis Stock Exchange Trading Rules</b>	The <b>rules</b> which apply to trading on <b>Aquis Stock Exchange</b>
<b>business day</b>	As defined in the <b>Aquis Stock Exchange Trading Rules</b>
<b>Companies Act</b>	The Companies Act 2006
<b>consent order</b>	A bilateral settlement agreement entered into between <b>Aquis Stock Exchange</b> and the <b>respondent</b> in final settlement of any proceedings
<b>controller</b>	In relation to a body corporate, a <b>person</b> , which alone or with any <b>associate</b> or <b>associates</b> , is entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the body corporate or another body corporate of which it is a <b>subsidiary</b>
<b>decision notice</b>	A notice served on an <b>issuer</b> or <b>member firm</b> by <b>Aquis Stock Exchange</b> , under paragraphs 18, 30, and 73. A <b>decision notice</b> confirms the contents of a <b>warning notice</b> as final and binding

<b>director regulation of</b>	The director of the <b>regulation department</b> of <b>Aquis Stock Exchange</b>
<b>disciplinary committee</b>	The committee established by <b>Aquis Stock Exchange</b> which determines proceedings referred by the <b>respondent</b> under paragraph 17 of the <b>procedures</b>
<b>disciplinary proceedings</b>	Disciplinary proceedings commenced by the exercise by <b>Aquis Stock Exchange</b> of its powers under paragraph 14 and 15 of the <b>procedures</b>
<b>employee</b>	A <b>person</b> employed (or formerly employed) by an <b>issuer</b> or <b>member firm</b> whether under a contract of service or for services (including a trading contract), or any <b>person</b> who is (or was) associated with an <b>issuer</b> or <b>member firm</b> , or in relation to an <b>issuer</b> or <b>member firm</b> any <b>person</b> who is (or was) exercising control (including a <b>controller</b> ), or in the opinion of <b>Aquis Stock Exchange</b> is (or was) influencing or directing any part of the business or affairs of the <b>issuer</b> or <b>member firm</b> whatever their status or capacity
<b>FCA</b>	Financial Conduct Authority, or any successor entity
<b>fixed penalty</b>	A penalty, promulgated by <b>market notice</b> , imposing a monetary penalty in respect of a breach of a <b>rule</b> by a <b>member firm</b> and/or <b>issuer</b>
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>group company</b>	In respect of any company, any company which is from time to time a holding company or parent undertaking of such company, a subsidiary or subsidiary undertaking of such company or a subsidiary or subsidiary undertaking of any such holding company or parent undertaking
<b>holding company</b>	As defined in section 1159 of the <b>Companies Act</b>
<b>issuer</b>	The <b>issuer</b> of <b>securities</b> admitted to trading on the AQSE Main Market or AQSE Growth Market or any such other <b>issuer</b> admitted to trading on a primary market operated by <b>Aquis Stock Exchange</b> , where <b>issuers</b> are subject to appropriate criteria for the initial and ongoing admission of their <b>securities</b> to trading and enter into a primary market or legal relationship with <b>Aquis Stock Exchange</b> involving the acceptance of specified obligations
<b>listed</b>	Admitted to the Official List under Part VI of <b>FSMA</b>
<b>PMAC</b>	The Primary Markets Approval Committee
<b>market confidential information</b>	As defined in the <b>Aquis Stock Exchange Trading Rules</b>
<b>market notice</b>	A regulatory notice published by <b>Aquis Stock Exchange</b>

<b>market participants</b>	As defined by the term 'participant' in the <b>Aquis Stock Exchange Trading Rules</b>
<b>member firm</b>	A <b>person</b> admitted to membership (including AQSE Corporate Finance Adviser membership), and subject to the continuing obligations, of <b>Aquis Stock Exchange</b>
<b>parent undertaking</b>	As defined in sections 1161, 1162 and 1173 of the <b>Companies Act</b>
<b>person</b>	An individual, corporation, partnership, association, trust or other entity as the context admits or requires
<b>precautionary suspension</b>	A precautionary suspension of a <b>member firm's</b> activities in <b>Aquis Stock Exchange</b> pursuant to paragraph 61
<b>procedures</b>	The contents of this document as amended by <b>Aquis Stock Exchange</b> from time to time by <b>market notice</b>
<b>regulation department</b>	The regulation department of <b>Aquis Stock Exchange</b>
<b>respondent</b>	A <b>member firm</b> or <b>issuer</b> the subject of <b>disciplinary proceedings</b>
<b>RIE</b>	Recognised Investment Exchange
<b>rules</b>	The <b>rules</b> of <b>Aquis Stock Exchange</b> (including appendices and schedules to them) as amended from time to time, and any <b>market notice</b> issued in accordance with these <b>rules</b>
<b>Secretary</b>	The secretary of the <b>disciplinary committee</b> or the <b>appeals committee</b> (as the case may be) appointed by <b>Aquis Stock Exchange</b> in respect of a particular referral
<b>security</b>	The shares (of any class), debentures, warrants, loan stock and other instruments of an <b>issuer</b> including (without limitation) those investments listed in Part II of Schedule 2 of <b>FSMA</b> , which are eligible for admission to <b>Aquis Stock Exchange</b>
<b>subsidiary</b>	As defined in section 1159 of the <b>Companies Act</b>
<b>subsidiary undertaking</b>	As defined in sections 1161, 1162 and 1173 of the <b>Companies Act</b>
<b>warning notice</b>	A notice served on the <b>respondent</b> by <b>Aquis Stock Exchange</b> under paragraph 16