

Article IX

Disciplinary Proceedings

Sec. 1. *Disciplinary Rules.* The Board shall adopt such rules as it deems necessary or appropriate for the discipline of members, member organizations, allied members, approved persons, and registered and non-registered employees of members and member organizations for the violation of the Act, the rules of the Exchange and for such other offenses as may be set forth in the rules of the Exchange. The Board shall also adopt such rules as it deems necessary or appropriate governing the conduct of disciplinary proceedings including disciplinary hearings and reviews thereof. The determination and penalty, if any, of the Board after review shall be final and conclusive, subject to the provisions of the Act.

Sec. 2. *Hearing Panel.* All proceedings relating to disciplinary matters, except as otherwise specifically set forth in the rules of the Exchange with respect to procedural and evidentiary matters, shall be conducted before a hearing panel consisting of at least three persons; a hearing officer, who shall be chairman of the panel, with the remainder of the panel being members of the hearing board.

Sec. 3. *Hearing Board.* The Chairman of the Board, subject to the approval of the Board, shall from time to time appoint a hearing board to be composed of such number of members and allied members of the Exchange who are not members of the Board, and registered employees and non-registered employees of members and member organizations, as the Chairman of the Board shall deem necessary. The members of the hearing board shall be appointed annually and serve at the pleasure of the Board. The Chairman of the Board, subject to the approval of the Board, shall also designate from among the officers and employees of the Exchange a chief hearing officer and one or more other hearing officers who shall have no Exchange duties or functions relating to the investigation or preparation of disciplinary matters and who shall be appointed annually and shall serve as hearing officers at the pleasure of the Board.

Sec. 4. *Composition of Hearing Panel.* In any disciplinary proceeding involving as a respondent therein a member, member organization, allied member, or approved person, the members of the hearing board serving on the panel shall be members or allied members. In any such proceeding relating to activities on the floor of the Exchange, at least one of the persons

serving on the panel shall be a member active on the floor of the Exchange. In any such proceeding relating to any other activities, at least one of the persons serving on the panel shall work in the office of a member or member organization which engages in a business involving substantial direct contact with securities customers.

In any disciplinary proceeding involving as a respondent therein a registered or non-registered employee of a member or member organization who is not a member or allied member, the members of the hearing board serving on the panel shall be registered employees or non-registered employees of members or member organizations who are not members or allied members. In any such proceeding relating to such employee's activities on the floor of the Exchange, at least one of the persons serving on the panel shall be a registered or non-registered employee of a member or member organization active on the floor of the Exchange who is not a member or allied member.

In any such proceeding relating to any other activities, at least one of the persons serving on the panel shall work in the office of a member or member organization which engages in a business involving substantial direct contact with securities customers.

In any disciplinary proceeding involving as joint respondents therein one or more members or member organizations, allied members or approved persons, together with one or more registered or non-registered employees of a member or member organization who are not members or allied members, at least one of the persons serving on the panel shall be a member or allied member and at least one other person serving on the panel shall be a registered or non-registered employee of a member or member organization who is not a member or allied member, and the functional qualifications required of hearing panel members as stated in this Section shall be satisfied.

The decision of a majority of the panel shall be the decision of the panel and shall be final and conclusive, unless a request to the Board for review is filed as provided in this Article and in the rules of the Exchange.

Sec. 5. *Penalties [and Review].* If a member, member organization, allied member, approved person or registered or non-registered employee of a member or member organization is adjudged guilty in any disciplinary proceeding, the hearing panel shall impose one or more of the following disciplinary sanctions: expulsion, suspension;

limitation as to activities, functions, and operations, including the suspension or cancellation of a registration in, or assignment of, one or more stocks, fine, censure, suspension or bar from being associated with any member or member organization, or any other fitting sanction. In any disciplinary proceeding, any sanction imposed may be remitted or reduced by the hearing panel on such terms and conditions as it shall deem fair and equitable. In a disciplinary proceeding involving a written consent to the imposition of a specified penalty, the hearing panel, in imposing a penalty, may impose the penalty agreed to or any penalty which is less severe than the stipulated penalty as it deems appropriate or the hearing panel may reject such consent.

Sec. 6. *Review [by Board].* In a disciplinary proceeding not involving a written consent to the imposition of a specified penalty, any member, member organization, allied member, approved person, or registered or non-registered employee of a member or member organization, adjudged guilty of any charge, or the division or department of the Exchange which brought the charges, or any member of the Board or the Board of Executives, may, in accordance with procedures set forth in the rules of the Exchange, require a review by the Board, of any determination or penalty, or both, imposed by the hearing panel. Upon review, the Board, by the affirmative vote of a majority of the entire Board, may sustain any determination or penalty imposed, may modify or reverse any such determination, and may increase, decrease or eliminate any such penalty, or impose any penalty permitted under this Article as it deems appropriate.

In a disciplinary proceeding involving a written consent to the imposition of a specified penalty, any member of the Board or the Board of Executives may require a review by the Board of any determination or penalty, or both, imposed by the hearing panel. In any such proceeding, the division or department which entered into the written consent, may require a review by the Board of any penalty, including any determination related thereto, imposed by the hearing panel, which is less severe than the stipulated penalty. The respondent or the division or department which entered into the written consent may require a review by the Board of any rejection of the written consent by the hearing panel. Any review provided in this paragraph shall be conducted in accordance with procedures set forth in the rules of the Exchange. Upon review, the Board, by