APPROVED by the General Meeting of Members of the Horse Breeding Development Association, Minutes No. 4 dated 10 February 2019.

REGULATIONS ON DISCIPLINARY MEASURES OF THE HORSE BREEDING DEVELOPMENT ASSOCIATION

[The Russian original bears the Association's emblem, a round seal and a handwritten signature.]

Moscow, 2019

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1. General Provisions

1.1. These Regulations on Disciplinary Measures, the Procedure and Grounds for Their Application, and the Procedure for Considering Cases have been developed in accordance with Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations', and the Charter of the Horse Breeding Development Association (hereinafter, ARK).

1.2. These Regulations establish the system of disciplinary measures for ARK members' non-compliance with ARK standards and rules and ARK membership conditions, the procedure and grounds for their application, and the procedure for considering cases concerning such violations.

1.3. Applying disciplinary measures is not intended to damage the business reputation of ARK members who have committed violations. Its sole purpose is to protect the lawful rights and interests of persons to whom ARK members supply goods, works and services.

1.4. Terms and definitions used in these Regulations:
Disciplinary offence: an ARK member's action or omission constituting a violation of ARK standards and rules or ARK membership conditions.
Disciplinary liability: the liability incurred by an ARK member for committing a disciplinary offence, taking the form of disciplinary measures applied to that member.
Disciplinary proceedings: a set of interrelated actions undertaken by ARK's Disciplinary Committee to establish whether an ARK member's actions or omissions show signs of a disciplinary offence, assess the facts identified, and subsequently apply disciplinary measures.

2. Disciplinary Measures: Grounds and Procedure for Their Application

2.1. The following disciplinary measures may be applied to an ARK member for disciplinary offences:
- issuing an order requiring the member to remedy the disciplinary offence within specified periods (hereinafter, the Order);
- issuing a warning (hereinafter also, the Warning);
- imposing a fine;
- recommending expulsion from ARK membership, subject to consideration and approval by ARK's Supervisory Council (hereinafter also, the Recommendation);
- expelling the member from ARK membership.

2.2. The disciplinary measure 'Order' requires the ARK member to take, within specified periods, actions aimed at remedying the disciplinary offence.

2.2.1. Grounds for applying the disciplinary measure 'Order' are:
- a minor disciplinary offence committed for the first time, without intent, that caused no harm to third parties, ARK members or ARK itself;

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- a disciplinary offence that caused no losses to third parties;
- failure to pay a membership contribution on time, other than the admission contribution.

2.2.2. An Order shall be issued in writing and shall specify the disciplinary offence, the actions required to remedy it, and the deadline for complying with the Order.

2.2.3. The period for complying with an Order may not exceed 20 (twenty) working days. The ARK Disciplinary Committee that decided to apply this measure may extend the compliance period, taking account of substantiated arguments and circumstances, by no more than 20 (twenty) working days, upon a substantiated petition from the person against whom the Order was issued.

2.2.4. The ARK member shall notify ARK in writing of compliance, partial compliance or non-compliance with the Order no later than the deadline for compliance specified in it.

2.2.5. If the ARK member fails to comply with the Order and with the requirement in clause 2.2.4 of these Regulations, ARK's Disciplinary Committee may decide to apply the disciplinary measure 'Issuing a Warning' or 'Imposing a Fine'. Applying those measures does not remove the obligation to comply with the Order.

2.3. The disciplinary measure 'Issuing a Warning' is more stringent than an Order. It requires the ARK member to remedy the disciplinary offence within specified periods and warns that a more stringent measure may be applied if the offence is not remedied.

2.3.1. Grounds for applying the disciplinary measure 'Issuing a Warning' are:
- failure to provide information and documents confirming compliance with ARK membership requirements, or failure to provide information on changes to particulars in ARK's register of members or other information subject to disclosure under Russian Federation legislation and ARK's internal documents;
- failure to provide documents and materials requested by ARK for scheduled or unscheduled inspections;
- arrears in membership contributions of no more than 3 (three) months and in other contributions, other than the admission contribution;
- violations of ARK standards and rules, membership conditions, Charter or other internal documents that can be remedied through appropriate action;
- inaccurate data in information and documents submitted to ARK;
- failure to implement decisions of ARK bodies binding on ARK members;
- failure to comply with an Order on time and/or in full, including the cases prescribed in clause 2.2.5 of these Regulations;

- evasion of a scheduled or unscheduled inspection;
- violation of other ARK membership requirements.

2.3.2. A Warning shall be issued to the ARK member in writing and shall specify the periods and actions for remedying the disciplinary offence and state that a more stringent disciplinary measure may be applied.

2.4. The disciplinary measure 'Imposing a Fine' is more stringent than the measures in clauses 2.2 and 2.3 of these Regulations. It is a monetary penalty imposed on an ARK member who has committed a disciplinary offence, payable within the periods specified in ARK's Disciplinary Committee decision applying that measure.
The measure 'Imposing a Fine' does not release the member from the obligation to remedy the disciplinary offence.

2.4.1. Grounds for applying the disciplinary measure 'Imposing a Fine' are:
- failure to comply with an Order or Warning;
- committing the same disciplinary offence again within one year;
- violation of other ARK membership requirements.

2.4.2. Fine amounts shall be prescribed by ARK's internal documents approved by ARK's Supervisory Council.

2.4.3. Funds received by ARK from a fine imposed on a member as a disciplinary measure shall be credited to ARK's compensation fund.

2.5. The disciplinary measure 'Recommendation for Expulsion from ARK Membership' is more stringent than the measures in clauses 2.2-2.4 of these Regulations. The Recommendation shall be submitted to ARK's Supervisory Council for consideration and an appropriate decision.

2.5.1. Grounds for applying the disciplinary measure 'Recommendation for Expulsion from ARK Membership' are:
- submitting forged documents on admission to ARK membership;
- violating membership conditions prescribed by ARK's Charter and the Regulations on Admission to and Expulsion from ARK Membership;
- failing to pay the admission contribution within 1 (one) month of the Supervisory Council decision admitting the person to ARK membership;
- delaying payment of membership contributions by more than 3 (three) months, other than the admission contribution;
- a violation that caused harm to individuals' lives or health, individuals' or legal entities' property, state or municipal property, the environment, or animals' lives or health;
- repeatedly failing to comply, within specified periods and in full, with an Order or Warning, and/or failing to pay an imposed fine on time and in full.

2.6. The disciplinary measure 'Expulsion of an ARK Member from ARK Membership' is the measure of last resort and terminates ARK membership.

2.6.1. The ground for applying this expulsion measure is an ARK Supervisory Council decision taken on the basis of ARK's Disciplinary Committee recommendation to expel the member.

3. Procedure for Considering Disciplinary-Offence Cases

3.1. The grounds for considering disciplinary-offence cases are materials submitted by ARK's Control Commission to ARK's Disciplinary Committee:
- concerning written complaints against the actions of ARK members;
- concerning inspections of ARK members that revealed disciplinary offences.

3.2. Disciplinary-offence cases shall be considered at an ARK Disciplinary Committee meeting, with mandatory notification of the persons who submitted complaints and the ARK members whose cases are being considered.
Competent public authorities and/or local government bodies may also be notified to participate if the disciplinary proceedings arose from materials those bodies submitted to ARK's Control Commission.
A notice stating the time and place of the meeting shall be sent at least 5 (five) working days before the meeting by any available means enabling receipt by the relevant person to be established, including registered post, fax or email.

3.3. The head or representative of the ARK member whose disciplinary-offence case is being considered may participate in the Disciplinary Committee meeting.

3.4. If the persons referred to in clause 3.2 of these Regulations fail to attend despite proper notification of the meeting's time and place, ARK's Disciplinary Committee may consider the case in their absence.

3.5. ARK's Disciplinary Committee may adjourn consideration of a disciplinary-offence case:
- upon a petition from the person subject to disciplinary proceedings;
- upon a petition from the complainant;
- on the Committee's initiative where additional evidence, witness attendance, questioning of Control Commission members, expert examination or other actions are required for a full and comprehensive consideration of the case.

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The total period for considering the case shall nevertheless not exceed 20 (twenty) working days.

3.6. ARK's Disciplinary Committee shall examine the materials referred to in clause 3.1 of these Regulations to establish whether an ARK member has committed a disciplinary offence.

3.7. A decision establishing that an ARK member committed a disciplinary offence shall be based on:
- the materials referred to in clause 3.1 of these Regulations;
- documents, information and explanations submitted by the member subject to disciplinary proceedings;
- decisions of public authorities or local government bodies;
- decisions that have entered into force of state commercial (arbitrazh) courts, courts of general jurisdiction or private arbitral tribunals, and documents obtained from law-enforcement bodies;
- expert opinions of organizations authorized to conduct the relevant examinations;
- witness testimony and audio and video recordings;
- other evidence relevant to the disciplinary proceedings.

3.8. When choosing a disciplinary measure after establishing the fact and constituent elements of a disciplinary offence by an ARK member, the following may be taken into account:
- the circumstances and reasons for the offence;
- the member's voluntary disclosure of the offence, provision of complete information on its circumstances, and timeliness of that disclosure;
- the member's actions to prevent a disciplinary offence;
- the member's actions to mitigate and compensate for harm or damage caused by the offence;
- the frequency and recurrence of the member's disciplinary offences.
This list of circumstances to be considered when deciding to apply and choose a disciplinary measure is not exhaustive.

3.9. ARK's Disciplinary Committee shall decide whether an ARK member committed a disciplinary offence and whether to impose disciplinary liability, on the basis of the case materials and evidence submitted.

3.10. Disciplinary proceedings shall conclude through the application of disciplinary measures to the ARK member or a Disciplinary Committee decision terminating the proceedings.

4. ARK Bodies' Decisions Applying Disciplinary Measures to ARK Members

4.1. ARK's Disciplinary Committee shall decide on disciplinary liability and the measures in clauses 2.2-2.5 of these Regulations in accordance with the Regulations on ARK's Disciplinary Committee. The decision shall be recorded in the meeting minutes.

4.2. No later than the day following a decision applying the measure in clause 2.5 of these Regulations, ARK's Disciplinary Committee shall submit that decision to ARK's Supervisory Council for consideration.

4.3. On the basis of the decision referred to in clause 4.2 of these Regulations and in accordance with the Regulations on ARK's Supervisory Council, the Supervisory Council shall decide to apply the measure in clause 2.6 of these Regulations. The decision shall be recorded in its meeting minutes.

4.4. Within 2 (two) working days of a Disciplinary Committee or Supervisory Council decision applying disciplinary measures to a member, ARK shall send copies of that decision to the member and the person whose complaint led to it, on paper or as electronic documents or a package of electronic documents signed with an enhanced qualified electronic signature.
If disciplinary proceedings against a member are terminated, ARK shall likewise notify that member within 2 (two) working days of the termination decision.

4.5. Disciplinary Committee and Supervisory Council decisions applying disciplinary measures to a member shall be entered in ARK's register of members in accordance with the Regulations on Maintaining that Register.

4.6. ARK's Control Commission shall monitor compliance with Disciplinary Committee and Supervisory Council decisions applying disciplinary measures to ARK members.

4.7. To monitor compliance with the disciplinary measure and the member's remediation of the consequences of the offence that gave rise to it, a copy of the decision applying the measure shall be sent to ARK's Control Commission within 1 (one) working day of its adoption.

5. Challenging Decisions Applying Disciplinary Measures

5.1. A member subject to a Disciplinary Committee decision applying a disciplinary measure, other than the decision prescribed by clause 2.5 of these Regulations, may challenge it before ARK's Supervisory Council within 5 (five) working days of receiving a copy, or before a state commercial (arbitrazh) court in accordance with the procedure and time limits established by Russian Federation legislation.

5.2. ARK's Supervisory Council shall consider a complaint against a Disciplinary Committee decision no later than 20 (twenty) working days after receiving it.

5.3. When considering such a complaint, the Supervisory Council shall verify whether the decision is substantiated and complies with Russian Federation legislation and ARK's internal documents.

5.4. A person expelled from ARK membership by a Supervisory Council decision based on a Disciplinary Committee Recommendation may challenge that decision by submitting a complaint concerning its lack of substantiation to ARK's General Meeting of Members, or to a court in accordance with Russian Federation legislation.

5.5. ARK's General Meeting of Members shall consider the complaint referred to in clause 5.4 of these Regulations no later than 20 (twenty) working days after receiving it, to assess the substantiation of the decision and its compliance with Russian Federation legislation and ARK's internal documents.

5.6. Following consideration of the complaint referred to in clause 5.4 of these Regulations, ARK's General Meeting of Members shall decide either that the Supervisory Council's expulsion decision is substantiated or that it is to be revoked.

6. Final Provisions

6.1. These Regulations shall enter into force on the date of their approval, but not before information concerning ARK is entered in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.

6.2. Amendments to these Regulations shall be made by ARK's General Meeting of Members in accordance with Russian Federation legislation and ARK's Charter.
Such amendments shall enter into force on the date of their approval, unless the amendments specify different effective dates, but not before information concerning ARK is entered in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.

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