

Market Conduct Rules

Trading Appendix 5

Nord Pool AS

MARKET CONDUCT RULES

1. INTRODUCTION

- 1.1 These Market Conduct Rules have been issued by Nord Pool under the Trading Rules for Nord Pool Physical Markets. The provisions herein apply to all Members of Nord Pool Physical Markets.
- 1.2 It is the responsibility of each Member to ensure compliance with the Market Conduct Rules by all relevant parts of its organisation and each Member shall ensure that any person involved in Trading and/or Clearing on its behalf, including members of management and other persons who makes decisions in relation to Products through the exercise of their employment, profession or other duties towards the Member, are subject to restrictions and obligations that enables the Member to fully and efficiently comply with these Market Conduct Rules.
- 1.3 Except as instructed by or otherwise set out herein, Market Surveillance shall have the authority to represent and act on behalf of Nord Pool in all matters regulated by the Market Conduct Rules and references to "Nord Pool" herein shall be construed accordingly. This authority of Market Surveillance includes authority to make requests for information pursuant to Section 6.1 and to issue non-public warnings pursuant to Section 8.2(a), but does not include the issue of any public warnings or Violation Charges pursuant to Section 8.2(b) or (c), nor the issue of daily charges pursuant to Section 8.1.

2. COMPLIANCE WITH APPLICABLE LAW

- 2.1 All Members shall at all times comply with Applicable Law and these Market Conduct Rules.
- 2.2 Appendix 1 to these Market Conduct Rules is only applicable for Members trading Products with delivery in Norway, or with business or facilities in Norway.

3. INTERPRETATION

- 3.1 Capitalized terms in the Market Conduct Rules shall, unless as otherwise defined herein, have the meanings assigned to them in the Definitions (Trading Appendix 1). Further principles of interpretation are set out below and in the General Terms.
- 3.2 In case of conflict between the Market Conduct Rules and other provisions of the Trading Rules, which cannot be resolved through ordinary principles of interpretation, the Market Conduct Rules shall prevail insofar as it relates to the subject matter of the Market Conduct Rules.
- 3.3 The Market Conduct Rules are without prejudice to the obligations of Members under Applicable Law.

4. GOOD BUSINESS CONDUCT

- 4.1 Members shall at all times act in accordance with these Market Conduct Rules when engaged in trading and related activities in Products, and shall seek to promote integrity and efficiency in the Physical Markets. Members shall take due account to any relevant regulatory or legal obligations, any proper and relevant professional standards of conduct, and the need for the Physical Markets to operate fairly and efficiently for all Members.
- 4.2 Each Member shall ensure that any Orders placed by it reflect a genuine purchase or sales interest, and that all Transactions to which it is a party are genuine.
- 4.3 A Member may not in any way improperly influence the price or price structure in the Physical Markets, or otherwise disturb other Members' access to or participation in the market.

- 4.4** Members must not apply unreasonable business methods when carrying out Trading, and shall always seek to act in accordance with good business practice.

5. DISCLOSURE REQUIREMENTS

- 5.1** Members publicly disclosing information according to REMIT Article 4, or the Transparency Regulation Articles 7, 10 or 15, shall publicly disclose such information as an Urgent Market Message (UMM) using the UMM system offered by Nord Pool when such information relates to the Nordic or Baltic electricity market.

6. DUTY TO PROVIDE INFORMATION TO NORD POOL

- 6.1** Subject to Section 6.6, Members are obliged to provide all such information as Nord Pool considers relevant either in the context of the performance of its monitoring role or in the context of any investigation of any suspected breach of the Market Conduct Rules or to comply with Applicable Law as soon as possible following a written request from Nord Pool. Members shall make all necessary arrangements with third parties in order to ensure that they are able to comply with their obligations under this Section 6.

- 6.2** Members shall ensure that their officers, employees, agents and other personnel are subject to obligations substantively similar to those set out in Section 6.1.

- 6.3** Each Member acknowledges that:

- (a) Nord Pool may from time to time, whether or not such information is acquired in the context of an investigation or not, provide information on Trading activity and other relevant information to the relevant Regulatory Body. Such information may also be provided to the market surveillance teams of other relevant market places or TSOs, always provided that there is a written agreement put in place between Nord Pool and such relevant market place or TSO limiting the use of the shared information to market surveillance purposes and ensuring the confidential treatment of such information;
- (b) All communication with Nord Pool and Market Surveillance may be recorded, stored and used in connection with the monitoring of compliance with Applicable Law and these Market Conduct Rules,

and each Member shall procure all necessary consents from all its relevant officers, employees and agents prior to such individuals communicating with Nord Pool on behalf of such Member.

- 6.4** Communication between Members and Nord Pool may include personal data relating to individuals to the extent such information is comprised within any relevant communication or is otherwise necessary.

- 6.5** Nothing in this Section 6 shall be interpreted as being in conflict with a Member's duty to comply with Applicable Law.

- 6.6** Information received in accordance with this Section 6 shall only be used for the purpose of surveillance of the Market Conduct Rules and Applicable Law, including the investigation of suspected breaches.

7. PUBLICATION OF INFORMATION RELATING TO INVESTIGATIONS

- 7.1** Nord Pool may make public the fact that investigations of any specific matter have been initiated, provided that the identity of the Member is not disclosed. Nord Pool may only make public the identity of a Member under investigation if, at the sole discretion of Nord Pool, such publication is necessary to sustain the integrity of the relevant market, or to prevent unjustified damage and/or loss of reputation to another Member, and the envisaged consequences of the Member's identity being disclosed are proportionally deemed less onerous than those resulting from non-

disclosure. A Member whose identity has been made public in accordance with this Section 7.1 may require Nord Pool to disclose and make public the results of the investigation.

- 7.2** Nord Pool may disclose the results of any investigations which lead to a public warning or Violation Charge under Section 8, including the identity of the Member. Nord Pool may furthermore reproduce and/or publish any relevant information gathered in the investigations to the extent such reference is reasonably necessary for Nord Pool's reasoning in respect of its decision or the grounds for its decision. Nord Pool shall endeavour to present and publish information under this Section 7 in a neutral manner, and only following a prior notification to the Member that is subject to the applicable investigation and/or disciplinary actions.

8. DISCIPLINARY ACTIONS

- 8.1** Nord Pool may impose a daily charge if the Member does not comply with Section 6.1, in which case such charge shall accrue on each calendar day from such decision has been made until the Member provides the information. Members accept charges imposed under this Section 8.1 as an enforceable basis for execution, unless restricted by Applicable Law.

- 8.2** In the event that a Member is in breach of the Market Conduct Rules, or the appendix to these Market Conduct Rules, other than as set out in Section 8.1, Nord Pool may decide to invoke one of the following disciplinary actions against the Member:

- (a) Issue a non-public warning, in any case where such Member, in the opinion of Nord Pool, has committed a breach of the Market Conduct Rules, but in circumstances where the nature of the breach is minor and no further disciplinary actions are recommended as a direct result of the breach
- (b) Issue a public warning, in any case where such Member, in the opinion of Nord Pool, has committed a serious or repeated breach of the Market Conduct Rules, but in circumstances where no further disciplinary actions are recommended as a direct result of the breach
- (c) Impose a Violation Charge, in any case where such Member, in the opinion of Nord Pool, has committed a severe or repeated breach of the Market Conduct Rules. The size of the Violation Charge may be up to NOK 2,500,000 (two million five hundred thousand).

- 8.3** The appropriate action shall be decided by Nord Pool in its absolute discretion, taking into account the criteria for each action as set out in Section 8.2 and furthermore the gravity of the infringements, the damage caused to other Members and the integrity of the relevant market, the Member's potential gains from the infringement, previous behaviour by the Member and other relevant factors including any mitigating circumstances.

Nothing in this Section 8 shall limit a Member's rights, obligations or liabilities under Applicable Law, and any disciplinary actions imposed hereunder shall be in addition to any disciplinary actions or penalties imposed by other entities than the Nord Pool under Applicable law.

9. PROCEDURES FOR INVESTIGATION OF BREACHES AND DISCIPLINARY ACTIONS

9.1 General

This Section 9 sets out the procedures applicable to the investigation by or on behalf of Nord Pool of possible breaches of the Market Conduct Rules or Applicable Law.

9.2 Investigations and Market Surveillance's Recommendations

- (a) If Market Surveillance suspects a breach of the Market Conduct Rules or Applicable Law, it will initiate an investigation. Such investigations may be initiated in the sole discretion of Market Surveillance regardless of the knowledge of the Member(s) involved.

- (b) If the investigations of Market Surveillance support the suspicion of a breach of Applicable Law, Market Surveillance may in its sole discretion report to the relevant Regulatory Body.
 - i. If the investigations of Market Surveillance support the suspicion of a breach of these Market Conduct Rules, Market Surveillance may in its sole discretion recommend disciplinary actions against the Member(s) involved, as further provided for below.
 - ii. Market Surveillance may issue non-public warnings as set out in Section 8.2(a) to Members without conferring with the board of directors of Nord Pool.
 - iii. Any recommendation for a daily charge as set out in Section 8.1 or public warning or Violation Charge as set out in Section 8.2(b) and (c), from Market Surveillance shall be in writing and shall be filed with the board of directors of Nord Pool, and include a due description of the factual and legal grounds for the recommendation. The filing shall invite the Member(s) involved to present their views to the board of directors of Nord Pool. The Member may respond in writing to present its views, but shall have no obligation to do so.

9.3. Decision of Nord Pool

- (a) The board of directors of Nord Pool will in its full discretion decide if and what disciplinary actions that shall be applied against the Member(s). The board of directors of Nord Pool may delegate this decision to the CEO of Nord Pool.
- (b) The decision by Nord Pool shall be notified in writing to the relevant Member(s). In the event of Nord Pool publishing the decision, the relevant Member(s) shall be notified in due time prior to such publication.

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APPENDIX 1 – SPECIAL REGULATIONS FOR MEMBERS TRADING IN PRODUCTS WITH DELIVERY IN NORWAY, OR WITH BUSINESS OR FACILITIES IN NORWAY

1. INTRODUCTION

- 1.1 This appendix applies to Members trading in Products with delivery in Norway, or with business or facilities in Norway.

2. INTERPRETATION

- 2.1 For the purpose of this appendix, the term “**Inside Information**” means information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more Products and which, if it were made public, would be likely to significantly affect the prices of those Products.

For the purposes of this appendix (and as otherwise used herein in connection with “Inside Information”):

- (a) The term “**information**” means:
- i. Information which is required to be made public in accordance with these Market Conduct Rules, contracts or customs for the Physical Markets, in so far as this information is likely to have a significant effect on the prices of Products;
 - ii. Information which is required to be made public in accordance with Applicable Law, including rules and/or guidelines issued by any relevant Regulatory Bodies, in so far as this information is likely to have a significant effect on the prices of Products; and
 - iii. Other information that a reasonable Member would be likely to use as part of the basis of its decision to enter into a Transaction relating to, or to issue an Order in, a Product.
- (b) The term “**precise nature**” means information that indicates a set of circumstances which exists or may reasonably be expected to come into existence, or an event which has occurred or may reasonably be expected to do so, and if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of Products.

Information regarding the Member's own plans and strategies for trading shall not be considered as Inside Information.

- 2.2 For the purpose of this appendix, the term “**Market Manipulation**” means:

- (a) Entering into any Transaction or issuing any Order in Products with delivery in Norway which:
- i. Gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of Products; or

- ii. Secures or attempts to secure, by a person, or persons acting in collaboration, the price of one or several Products at an artificial level, unless the person who entered into the Transaction or issued the Order establishes that his reasons for doing so are legitimate and that that Transaction or Order conforms to accepted market practices on the Physical Markets; or
- iii. Employs or attempts to employ a fictitious device or any other form of deception or contrivance which gives, or is likely to give, false or misleading signals regarding the supply of, demand for, or price of Products;

or

- (b) Disseminating information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of Products, including the dissemination of rumours and false or misleading news, where the disseminating person knew, or ought to have known, that the information was false or misleading.

2.3 For the purpose of this appendix, the term "**attempt to engage in market manipulation**" means:

- (a) Entering into any Transaction, issuing any Order or taking any other action relating to a Product with delivery in Norway with the intention of:
 - i. Giving false or misleading signals as to the supply of, demand for, or price of Products;
 - ii. Securing the price of one or several Products at an artificial level, unless the person who entered into the Transaction or issued the Order establishes that his reasons for doing so are legitimate and that that Transaction or Order conforms to accepted market practices on the Physical Market concerned; or
 - iii. Employing a fictitious device or any other form of deception or contrivance which gives, or is likely to give, false or misleading signals regarding the supply of, demand for, or price of Products;

or

- (b) Disseminating information through the media, including the internet, or by any other means with the intention of giving false or misleading signals as to the supply of, demand for, or price of Products.

3. PROHIBITION OF INSIDER TRADING AND DUTY OF CONFIDENTIALITY

3.1 Members who possess Inside Information in relation to a Product with delivery in Norway shall be prohibited from:

- (a) Using that information by acquiring or disposing of, or by trying to acquire or dispose of, for their own account or for the account of a third party, either directly or indirectly, Products with delivery in Norway to which that information relates;
- (b) Disclosing that information to any other person unless such disclosure is made in the normal course of the exercise of their employment, profession or duties;
- (c) Recommending or inducing another person, on the basis of Inside Information, to acquire or dispose of Products with delivery in Norway to which that information relates.

3.2 Section 3.1 (a) shall not apply to:

- (a) Transactions conducted in the discharge of an obligation that has become due to acquire or dispose of Products where that obligation results from an agreement concluded, or an Order placed, before the Member concerned came into possession of Inside Information;
- (b) Transactions entered into by Members, the sole purpose of which is to cover the immediate physical loss resulting from unplanned outages, where not to do so would result in the Member not being able to meet existing contractual obligations or where such action is undertaken in agreement with the TSO(s) concerned in order to ensure safe and secure operation of the system. In such a situation, the relevant information relating to the Transactions shall be reported to Nord Pool without delay;
- (c) Members acting under national emergency rules, where national authorities have intervened in order to secure the supply of electricity or natural gas and market mechanisms have been suspended in the relevant country or parts thereof.

4. PROHIBITION OF MARKET MANIPULATION

- 4.1** Any engagement in or attempt to engage in, Market Manipulation on the Physical Markets shall be prohibited.

5. DISCLOSURE REQUIREMENTS

- 5.1** Each Member shall publicly disclose any information as set out in this Section 5 relating to the Norwegian electricity market regarding the business or facilities which the Member concerned, owns or controls or for whose operational matters that Member is responsible, either in whole or in part.

These disclosure requirements do not apply to information regarding the Member's own plans and strategies for trading.

Information shall be deemed to relate to the Norwegian electricity market if the information relates to business or facilities inside the Norwegian area as described in Section 5.2 below, or if the information relates to incidents outside the Norwegian area, but where the information otherwise fulfill the requirements set out in Section 5.2(d) or (e). Information relating to business or facilities outside the Norwegian area shall only be publicly disclosed as an Urgent Market Message as described in Section 5.4 if the Member possesses this information and the information is not publicly disclosed in accordance with REMIT or the Transparency Regulation elsewhere.

- 5.2** The information to be publicly disclosed according to Section 5.1 shall be limited to information relevant to facilities for production, consumption or transmission of electricity regarding:
 - (a) Any outage, limitation, expansion or dismantling of capacity of 100 MW or more for one Generation Unit or Consumption Unit, or 100 MW or more for one Production Unit with an installed capacity of 200 MW or more, up to three (3) years forward, including updates of such information;
 - (b) Any outage, limitation, expansion or dismantling of capacity in the transmission grid affecting cross zonal capacities by 100 MW or more, up to three (3) years forward, including updates of such information;
 - (c) Any outage, limitation, expansion or dismantling of capacity in the transmission grid affecting power feed-in and/or consumption by 100 MW or more, up to three (3) years forward, including updates of such information;
 - (d) Any information that is likely to significantly affect the prices of one or more derivatives based on Products if made public.

(e) Any Inside Information not covered by sub-paragraph (a) to (d) above

5.3 Where information is subject to public disclosure pursuant to this Section 5, the information shall be publicly disclosed as an Urgent Market Message (UMM) using the UMM system offered by Nord Pool. The information shall include all the relevant fields as required in the UMM-system at any time.

5.4 All information which shall be publicly disclosed pursuant to this Section 5 shall be publicly disclosed as soon as possible, and no later than 60 minutes after occurrence of the event which leads to the relevant information. Such information shall be publicly disclosed as an Urgent Market Message (UMM).

(a) A Member may under its own responsibility exceptionally delay the public disclosure so as not to prejudice its legitimate interests provided that such omission is not likely to mislead the public and provided that the Member is able to ensure the confidentiality of that information and does not make decisions relating to trading in Products based upon that information. In such a situation the Member shall without delay provide that information, together with a justification for the delay of the public disclosure, to Market Surveillance.

(b) Whenever a Member or a person employed by, or acting on behalf of, a Member discloses information as mentioned in this Section 5 in the normal exercise of his employment, profession or duties, that Member or person shall ensure simultaneous public disclosure of that information according to 5.4, first paragraph. In the event of a non-intentional disclosure the market participant shall ensure complete and effective public disclosure of the information as soon as possible following the non-intentional disclosure. This Section 5.4(b) shall not apply if the person receiving the information has a duty of confidentiality, regardless of whether such duty derives from law, regulation, articles of association or a contract.