

Trading Appendix 6 / Clearing Appendix 6

# Market Conduct Rules

Commodity Derivatives

Issued by Nasdaq Oslo ASA and Nasdaq Clearing AB

## MARKET CONDUCT RULES

### 1 INTRODUCTION

- 1.1 These Market Conduct Rules have been issued by the Exchange under the Trading Rules for Trading in the Exchange Listed Products cf. Section 4.1.2 of the General Terms and the respective Clearing Membership Agreement and Clearing Client Agreement.
- 1.2 The provisions herein applies to (i) Account Holders, (ii) Exchange Members and (iii) clients of Exchange Members hereinafter referred to as "**Market Participants**".
- 1.3 Exchange Members can require that any client that is not an Account Holder under agreement with the Clearinghouse signs the acceptance form in Enclosure 2, and shall keep record of such statements, to be provided to the Exchange upon request.
- 1.4 Section 2 applies to Block Trades, EFPs and EFSs, while the sections 3 to 8 is generally applicable as provided for.
- 1.5 Words with capital letters in this document are defined in the Definitions, being a joint appendix to the Trading Rules and the Clearing Rules. In addition, these Market Conduct Rules with enclosures include certain specific definitions also with capital letters, and shall be interpreted accordingly when used herein.
- 1.6 These Market Conduct Rules are without prejudice to the Market Participants' obligations under relevant statutory and regulatory provisions, such as, but not limited to, the market conduct rules under Regulation (EU) 596/2014 (MAR) with relevant delegated acts and technical standards, as implemented into Norwegian law.

### 2 REPORTING OF BLOCK TRADES, EFPs AND EFSs

- 2.1 The provisions of this Section 2 apply to: Block Trades, EFPs and EFSs, hereinafter referred to as "**Reportable Transactions**".
- 2.2 When submitting a transaction to the Exchange via the Block Trade Facility, Exchange Members shall include information indicating:
  - a) the Product Series;
  - b) the buyer and seller to the Transaction and Block Broker Member where applicable;
  - c) the Contract Price;
  - d) the number of Instruments in the Exchange Series concerned, denoted as "volume" or "quantity";
  - e) Contract Time;
  - f) off order book trade type, and if applicable the benchmark trade flag;
  - g) Trader ID or Block Broker Member where applicable;
  - h) in what trading capacity the Transaction is submitted;
  - i) Clearing or Trading Account; and
  - j) any additional information as required by the Exchange or Clearing Rules and the prevailing functionality of the Clearing System or the Trading System, including the applicable technical documentation, protocol and contract specifications (where relevant).
- 2.3 Block Trades with Contract Time within Exchange Opening Hours, or 15 minutes or less before the start of Exchange Opening Hours, shall be reported within 15 minutes after their Contract Time. This also applies to Block Trades entered into between an Exchange Member and a client.
- 2.4 Block Trades with Contract Time outside Exchange Opening Hours, except those with Contract Time 15 minutes or less before the start of Exchange Opening Hours, shall be reported at the start of the following Exchange Opening Hours on a Bank Day.

2.5 Reportable Transactions shall be reported electronically through the Trading System as provided in the Block Trade Facility Procedures or as.

a. Single-sided registrations: Exchange Members may report a buy or sell side of a Block Trade to the Exchange, in which case the other party must arrange registration of an opposite and matching single-sided registration with the Exchange or the Co-Operating Exchange, nominating the original Exchange Member as counterparty to the Block Trade. Only matching and opposite single-sided registrations from the parties to the Block Trade will be deemed to represent a report to the Exchange. Single-sided registrations that have not been matched by an opposite single-sided registration by the end of Exchange Opening Hours on the applicable Bank Day will be cancelled.

b. Joint (two-sided) registration: An Exchange Member may report both sides of a Block Trade to the Exchange if both parties to the Block Trade have sent to the Exchange a written notification thereof in such form as the Exchange shall prescribe from time to time. A Block Broker Member may report both sides of a Block Trade to the Exchange if both parties to the Block Trade have appointed such person as their Block Broker Member with the Exchange or the Co-Operating Exchange, as relevant.

### **3 REPORTING OF POSITIONS**

3.1 The provisions of this Section 3 apply to reporting of positions of Exchange Listed Products which are Commodity Derivatives, Emission Allowances or derivatives thereof, hereinafter referred to as **"Reportable Positions"**. For the avoidance of doubt, economically equivalent OTC contracts shall not be reported under this section 3.

**3.2** Market Participants shall on a format prescribed by the Exchange report details of their own Reportable Positions as well as those of their clients and the clients of those clients until the end client is reached, hereinafter referred to as **"Position Reports"**.

3.3 Position Reports are due on T+1 of any Bank Day or if T+1 is not a Bank Day on the next Bank Day thereafter at the time prescribed by the Exchange and as set out in Genium INET Market Model Nasdaq Commodities.

3.4 The Exchange will, if the thresholds and requirements of Article 83 of Commission Delegated Regulation (EU) 2017/ 565 are met, make public a weekly report with the aggregate information as reported in the Position Report. The Exchange will communicate the report to the Competent Authority and to ESMA that will also publish the information included in those reports, hereinafter referred to as the **"Weekly Report"**.

3.5 The Exchange will, on a daily basis, provide the Competent Authority with a complete breakdown of the positions held by all persons as reported in the Position Report according to section 3.3, hereinafter referred to as the **"Daily Report"**.

### **4 POSITION MANAGEMENT CONTROLS**

4.1 The Exchange's Competent Authority shall establish and apply position limits on the size of a net position which a person can hold at all times in commodity derivatives traded on trading venues and economically equivalent OTC contracts as defined in MiFID Article 57, hereinafter referred to as **"Regulatory Position Limits"**. The Competent Authority is responsible for the enforcement of the Regulatory Position Limits.

4.2 The Exchange is entitled and obliged to control the management of open interest positions held by persons in commodity derivatives traded on the Exchange, hereinafter referred to as **"Position Management Controls"**. As part of the Position Management Controls, the Exchange will establish and apply Accountability Levels on the size of a position which a person can hold at all times in certain commodity derivatives traded on the Exchange, hereinafter referred to as **"Accountability Levels"**.

4.3 The objective and transparent criteria used by the Exchange for the application of the Position Management Controls, including the Accountability Levels, are set out in the Position Management Control Guidelines, which will be available on the Exchange's website. When applying the Position Management Controls and the Accountability Levels, the Exchange may:

4.3.1 monitor the open interest positions in Exchange Listed Products which are Commodity Derivatives, and which are reported in the Position Report; and

4.3.2 access and/or obtain information, including all relevant documentation about the size and

purpose of any position or open exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market including, where applicable, positions held in Commodity Derivatives that are based on the same underlying and that share the same characteristics on other trading venues and in economically equivalent OTC contracts through members and participants. For positions held by its clients, the Exchange Member shall ensure that it is able to provide the information requested in this respect at any time; and

- 4.3.3 require a Market Participant to terminate or reduce a position held by the Market Participants or by other persons as reported in the Position Report, on a temporary or permanent basis as the specific case may require and to unilaterally take appropriate action to ensure the termination or reduction if the Market Participant does not comply; and
- 4.3.4 where appropriate require a Market Participant to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.

## **5 INSIDE INFORMATION, PROHIBITION ON INSIDER TRADING AND DUTY OF CONFIDENTIALITY**

- 5.1 The term “**Inside Information**” shall for Exchange Listed Product(s) less Emission Allowances mean any information of a precise nature which has not been made public, relating, directly or indirectly, to one or more Exchange Listed Products, and which, if it were made public, would be likely to have a significant effect on the prices of such Exchange Listed Product(s) (less Emission Allowances), and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contract, practice or custom, on the relevant commodity exchange markets or spot markets.
- 5.2 The term “**Inside Information**” shall for Emission Allowances or auctioned products based thereon (hereinafter jointly or separately referred to as Emission Allowances), mean information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more Emission Allowances, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments.
- 5.3 A Market Participant including its board of directors and employees shall not disclose any Inside Information to persons or entities whom such information does not concern, prior to the information being distributed to and published by the Exchange, and shall on the basis of Inside Information not recommend or induce another person to acquire or dispose of, or cancel or amend an order concerning, Exchange Listed Product(s) to which that information relates.
- 5.4 If the Market Participant concerned is in doubt as to whether certain information constitutes Inside Information, it shall contact the Exchange’s market surveillance department in order to be advised on how to handle the situation. Any statement from the Exchange in such respects is for guidance only and cannot be interpreted as a final or binding opinion on behalf of the Exchange, nor shall the Exchange be liable for any advice given in such respects.
- 5.5 For the purposes of protecting market integrity and ensuring confidence of the price formation Market Participants shall not enter into trading activity on the basis of Inside Information (“**Insider Trading**”) as further described in the Market Conduct Rules. Market Participant may not register Orders or enter into Exchange Transactions or Reportable Transactions, or cancel or amend previous placed Orders, Exchange Transactions or Reportable Transactions, when holding Inside Information, except as follows:
  - a. When registering Orders or entering into Transactions in Exchange Listed Products to which the Inside Information does not relate.
  - b. When performing trading if the trading operations are separated from the departments where persons employed are holding Inside Information and provided that there has been no exchange of Inside Information between the trading operations and such other departments. A Market Participant must upon request document to the Exchange that the member has implemented effective internal

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<sup>1</sup> By Union means the European Union

arrangements, procedures and other mechanisms, herein adequate information barriers, between the trading operations and the department(s) or person(s) holding the Inside Information (commonly referred to as “Chinese Walls”, “Firewalls” or similar designation), which effectively ensure that Inside Information is not disclosed to the trading operations.

- c. When the Market Participant is i) a market maker or a person authorised to act as a counterparty, and the acquisition or disposal of the Exchange Listed Product(s) to which Inside Information relates is made legitimately in the normal course of the exercise of its function as a market maker or as a counterparty for that Exchange Listed Product(s), or ii) the Market Participant is authorised to execute orders on behalf of third parties, and the acquisition or disposal of Exchange Listed Product(s) to which the order relates, is made to carry out such an order legitimately in the normal course of the exercise of that person’s employment, profession or duties
- d. In respect of Client Transactions when the Transaction is carried out in discharge of an obligation that has become due in good faith and not to circumvent the prohibition against insider trading and that obligation results from an order placed or an agreement concluded before the persons concerned possessed Inside Information, or the Transaction is carried out to satisfy a legal or regulatory obligation that arose before the persons concerned possessed Inside Information.

## **6 DISCLOSURE REQUIREMENTS**

- 6.1 Within the scope of EU Regulation 596/2014 (MAR) Article 17 and Recital 51 and subject to the minimum threshold described in MAR Article 17(2) second paragraph a Market Participant trading in Emission Allowances either directly or indirectly shall identify and publicly disclose in an effective and timely manner any Inside Information concerning Emission Allowances which the Market Participant holds in respect of its business, including aviation activities and installations (within the meaning of EU Directive 2003/87 Article 3(e)), which the Market Participant concerned, or its parent undertaking or related undertaking, owns or controls or for the operational matters of which the Market Participant, or its parent undertaking or related undertaking, is responsible, in whole or in part. With regard to installations the disclosure should include information relevant to the capacity and utilisation of installations, including planned or unplanned unavailability of such installations
- 6.2 Notwithstanding the above and within the scope of EU Regulation 1227/2011 on wholesale energy market integrity and transparency (REMIT) Article 4 a Market Participant shall identify and publicly disclose in an effective and timely manner inside information (of a precise nature, that is not public yet, that relates directly or indirectly to one or more wholesale energy products, and that, if it was made public, would likely significantly affect the prices of those products) which the Market Participant possess in respect of its business or facilities which the Market Participant concerned, or its parent undertaking or related undertaking, owns or controls or for whose operational matters the Market Participant its parent undertaking or related undertaking is responsible in whole or in part. Such disclosure shall include information relevant to the capacity and use of facilities for production, storage, consumption or transmission of electricity or natural gas or related to the capacity and use of LNG facilities, including planned or unplanned unavailability of these facilities.

## **7 MARKET MANIPULATION**

- 7.1 Market Participants and Exchange Traders shall not engage in Market Manipulation as defined in Enclosure 1.

## **8 GOOD BUSINESS CONDUCT**

- 8.1 Market Participants must not apply unreasonable business methods when carrying out Exchange Trading, but always seek to act in accordance with good business conduct. Market

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<sup>2</sup> Delegated Regulation 2016/522 Article 5 sets the minimum threshold of carbon dioxide equivalent of 6 million tons a year, alternatively the minimum threshold of rated thermal input of 2430 MW (both the thresholds apply at a group level)

Participants shall act honestly, fairly and professionally carefully considering the best interest of any clients and ensuring that the integrity of the market is attended to in the best manner.

## **9 DUTY TO PROVIDE INFORMATION TO THE EXCHANGE UPON REQUEST**

- 9.1 The Exchange with its market surveillance department is monitoring all Trading activities on the Exchange to ensure that this is conducted in accordance with the Market Conduct Rules and relevant statutory and regulatory provisions. The Exchange may carry out investigations into the activities of the Market Participants in accordance with the Market Conduct Rules.
- 9.2 Market Participants and their board of directors and employees are, upon written request by the Exchange, under an obligation to as soon as possible provide the Exchange with all information the Exchange considers relevant in respect of the Exchanges role in surveillance of the Market Conduct Rules and other applicable laws and regulations.
- 9.3 The Market Participants acknowledge and consent that all communication with the Exchange and its market surveillance department may be recorded, stored and used in connection with the surveillance of the Market Conduct Rules and relevant statutory and regulatory provisions. Such communication may include personal data relating to individuals to the extent necessary or otherwise comprised within any relevant communication and the communication may be stored in accordance with relevant statutory provisions. The Market Participants undertake to procure any consent necessary from their employees to the extent this is required in order to comply with relevant statutory provisions.
- 9.4 The duty to provide information under Section 9.2 applies regardless of any confidentiality undertakings and other duties of silence the Market Participant may be placed under, confer also the Securities Trading Act Section 12-4 (8) regarding Exchange Members.
- 9.5 Any Market Participant that is not an Exchange Member must ensure that information required under Section 9.2 may be provided irrespective of any legal duty of confidentiality that the Market Participant or its board of directors or employees may otherwise owe to clients.
- 9.6 Information received by the Exchange's surveillance department following a request upon Market Participants may only be utilized by the Exchange for the purpose of surveillance of the Market Conduct Rules and other applicable laws and regulations, investigation of possible breaches of such rules and sanctioning of such breaches.
- 9.7 Employees and directors of the Exchange are, pursuant to the Securities Trading Act Section 11-13, subject to a duty to ensure that no other party (including other directors or employees of the Exchange with no relevant interest in the information) gain access to or knowledge of matters relating to the business or personal affairs of third parties as they become aware of through their employment or appointment, save to the extent required by supervisors or otherwise required or allowed by law.
- 9.8 The Exchange may impose a daily charge on an entity or person that does not comply with Section 9.2, running until the entity or person provides the information.
- 9.9 Under the Securities Trading Act Section 12-8, a daily charge under Section 9.8 will constitute a legal basis for the Exchange's claim equivalent to a decision made by a Norwegian court of law, as far as Exchange Members and persons related to Exchange Members are concerned. Accordingly, after having imposed a daily charge the Exchange may initiate legal proceedings under the Enforcement Act 1992 against such entity or person in order to seize their assets to secure the claim.
- 9.10 The Exchange is not permitted to inform the public that the Exchange has initiated investigation of named Market Participants, unless special reasons so warrants and only after a pre-warning to the entity subject to investigation. Such information shall be in a neutral manner. The Exchange may also disclose the results of such investigations.

## **10 DUTY TO PROVIDE INFORMATION TO THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY**

- 10.1 Market Participants shall notify the Financial Supervisory Authority of Norway immediately if the Market Participant reasonably suspects that a transaction might constitute insider trading or market manipulation.

## **11 BREACH OF MARKET CONDUCT RULES – DISCIPLINARY SANCTIONS**

- 11.1 In the event that a Market Participant is in breach of the rules above, the Exchange may decide on one or more of the following actions against this party:
- a. Issue an oral warning,
  - b. Issue a warning in writing,
  - c. In the event of a serious breach, impose a Violation Charge on the Market Participant of up to NOK 2,500,000. Such charge shall be decided taking into account the nature and severity of the breach, including whether the breach has been intentional, whether the Market Participant or its board of directors or employees may otherwise be blamed, any mitigating circumstances, as well as other relevant factors.
  - d. In the event a serious breach of the rules above also constitute a Material Non-Compliance Event in accordance with the Trading Rules, the Exchange may suspend the Market Participant in accordance with the Trading Rules section 7.4 or terminate the membership agreement in accordance with the Trading Rules section 7.5. Similarly, the Exchange may impose the Market Participant to suspend or terminate the provision of DEA or AOR towards the respective client whose in serious breach of the rules above constituting Material Non-Compliance Event.
- 11.2 In the event that an Exchange Trader is responsible for a breach of the rules above, the Exchange may decide on one or more of the following actions against this person:
- a. Issue an oral warning,
  - b. Issue a warning in writing,
  - c. Withdraw the approval of the Exchange Trader
- 11.3 Enclosure 3 include procedures for disciplinary sanctions.

## Enclosure 1

### DEFINITION OF MARKET MANIPULATION

#### 1 GENERAL DEFINITION

1.1 The term "**Market Manipulation**" shall comprise the following activities:

- a. Entering into a Transaction, placing an Order to trade or any other behaviour which:
  - (i) gives, or is likely to give, false or misleading signals as to the supply of, demand for or price of an Exchange Listed Product; or
  - (ii) secures, or is likely to secure, price of one or several Products at an abnormal or artificial level;unless the person who entering into a Transaction, placing an Order to trade or engaging in any other behaviour establishes that such Transaction, Orders to trade or behaviour have been carried out for legitimate reasons, and conform with an accepted market practice as specified in section 3 below; or
- b. Entering into a Transaction, placing an Order to trade or any other activity or behaviour which affects or is likely to affect the price of one or several Exchange Listed Products, which employs a fictitious device or any other form of deception or contrivance; or
- c. 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, Exchange Listed Products, or secures, or is likely to secure, the price of one or several Exchange Listed Products at an abnormal and artificial level, including the dissemination of rumours, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.
- d. transmitting false or misleading information or providing false or misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behaviour which manipulates the calculation of a benchmark.

#### 2 SPECIFIC PROHIBITIONS

2.1 The following conduct will always be deemed to constitute Market Manipulation:

- a. Conduct by a person, or persons acting in collaboration, to secure a dominant position over the supply of or demand for an Exchange Listed Product which has, or is likely to have, the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions; or
- b. The buying or selling of an Exchange Listed Product at the opening or closing of the market, which has or is likely to have, the effect of misleading investors acting on the basis of prices displayed, including the opening and closing prices; or
- c. The placing of orders to the Exchange, including any cancellation or modification thereof, by any available means of trading, including by electronic means, such as algorithmic and high-frequency trading strategies, and which has one of the effects referred to in section 1.1 (a) or (b), by:
  - (i) disrupting or delaying the functioning of the trading system of the Exchange or being likely to do so;
  - (ii) making it more difficult for other persons to identify genuine orders on the trading system of the Exchange or being likely to do so, including by entering orders which result in the overloading or destabilisation of the order book; or
  - (iii) creating or being likely to create a false or misleading signal about the supply of, or demand for, or price of, an Exchange Listed Product, in particular by entering orders to initiate or exacerbate a trend;

- d. Taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion relevant to a Product (or indirectly about its issuer) while having previously taken positions on that Product and profiting subsequently from the impact of the opinions voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.
- e. The buying or selling on the secondary market of emission allowances or related derivatives prior to the auction held pursuant to Regulation (EU) No 1031/2010 with the effect of fixing the auction clearing price for the auctioned products at an abnormal or artificial level or misleading bidders bidding in the auctions.

### **3 ACCEPTED MARKET PRACTICES RELEVANT TO THE EXCHANGE**

(None at present)

### **4 NON-EXHAUSTIVE SIGNALS FOR INTERPRETATION**

- 4.1 When an assessment is made as to whether a Transaction or an Order to trade violates Section 1.1 letter (a), the following non-exhaustive signals, which should not necessarily be deemed in themselves to constitute Market Manipulation, shall be taken into account:
  - a. the extent to which Orders to trade given or Transactions undertaken represent a significant proportion of the daily volume of transactions in the relevant Exchange Listed Product on the Exchange, in particular when these activities lead to a significant change in the price of the relevant Exchange Listed Product;
  - b. the extent to which Orders to trade given or Transactions undertaken by persons with a significant buying or selling position in an Exchange Listed Product lead to significant changes in the price of that Exchange Listed Product;
  - c. whether Transactions undertaken lead to no change in beneficial ownership of an Exchange Listed Product;
  - d. the extent to which Orders to trade given or Transactions undertaken include position reversals in a short period and represent a significant proportion of the daily volume of transactions in the relevant Exchange Listed Product on the Exchange concerned, and might be associated with significant changes in the price of a Exchange Listed Product;
  - e. the extent to which Orders to trade given or Transactions undertaken are concentrated within a short time span in the trading session and lead to a price change which is subsequently reversed;
  - f. the extent to which Orders to trade given change the representation of the best bid or offer prices in a Exchange Listed Product admitted to trading on the Exchange, or more generally the representation of the order book available to market participants, and are removed before they are executed;
  - g. the extent to which Orders to trade are given or Transactions are undertaken at or around a specific time when reference prices, settlement prices and valuations are calculated and lead to price changes which have an effect on such prices and valuations.
- 4.2 When an assessment is made as to whether an order or trade violates Section 1.1 letter (b) the following non-exhaustive signals, which should not necessarily be deemed in themselves to constitute Market Manipulation, shall be taken into account:
  - a. whether Orders to trade given or Transactions undertaken by persons are preceded or followed by dissemination of false or misleading information by the same persons or persons linked to them; and
  - b. whether Orders to trade are given or Transactions are undertaken by persons before or after the same persons or persons linked to them produce or disseminate research or investment recommendations which are erroneous or biased or demonstrably influenced by material interest.

**5 SPECIFIC DEFINITIONS FOR ENCLOSURE 1:**

5.1 When used in this Enclosure 1:

- a. **“Transactions”** shall mean Exchange Trades, and trades in electricity in the Nordic electricity market.
- b. **“Orders to trade”** shall mean orders for Exchange Trading in Exchange Listed Products, other orders relating to Exchange Listed Products, and orders to trade electricity in the Nordic electricity market.

**Enclosure 2**

**Acceptance form for clients**

The undersigned, being an entity trading Exchange Listed Products at the Exchange as a client of ..... as Exchange Member, hereby states as follow:

I have received a copy of the Market Conduct Rules and hereby accept and acknowledge that I am under a duty to comply with the Market Conduct Rules as applicable at any time. I further acknowledge that the Market Conduct Rules are under surveillance by and sanctioned by the Exchange, and in this respect the Exchange holds (as a beneficiated party to this agreement) the rights against me as provided for in the Market Conduct Rules.

I also acknowledge that the Exchange may, regardless of its duty of confidentiality but subject to the provisions in the Market Conduct Rules, inform the public of the fact that the Exchange has initiated investigation of any named entity in respect of the Market Conduct Rules and that the Exchange may also disclose the results of such investigations, including sanctions.

Date/place

(signature of client)

This statement shall be recorded with the Exchange Member and disclosed to the Exchange upon request.

## **Enclosure 3**

### **DISCIPLINARY PROCEDURES**

#### **1 INTRODUCTION**

- 1.1 This document includes the rules and procedures relevant to disciplinary sanctions of breaches of the Market Conduct Rules.
- 1.2 Words with capital letter in this document are defined in the Trading Rules and Clearing Rules and shall have the same meaning in this appendix.

#### **2 THE DISCIPLINARY COMMITTEE**

##### **2.1 Appointment**

- 2.1.1 The board of directors of the Exchange (the "Board") shall appoint a Disciplinary Committee (the "Disciplinary Committee") to advise the Board in disciplinary matters under the Market Conduct Rules.
- 2.1.2 The Disciplinary Committee shall consist of three or five members, all to be appointed by the Board for a two year term.
- 2.1.3 The members shall be carefully elected to secure high competence in legal and market matters and proper representation of the Exchange Members and the Exchange in the Disciplinary Committee.
- 2.1.4 Exchange Members and associations representing Market Participants may present the Board with proposals for members to the Disciplinary Committee.
- 2.1.5 One member of the Disciplinary Committee shall preferably be a person with updated market knowledge, a second member shall preferably be a qualified lawyer with expertise in electricity markets trading while a third member preferably shall be an employee of the Exchange.

##### **2.2 Procedural rules**

- 2.2.1 As the Disciplinary Committee is an advisory body, the procedural rules of the Norwegian Public Administration Act 1967 Chapter VI shall not govern its procedures but the rules below with any additional instructions from the Board.
- 2.2.2 The Disciplinary Committee shall have a chairman and deputy chairman elected by the Board. The chairman shall be responsible for summoning members for meetings, and lead the meetings. A member that can not meet shall as soon as possible report to the chairman, who then shall decide on a new date for the meeting. If a new meeting can not be summoned within two weeks, the meeting shall take place as original planed.
- 2.2.3 In the chairman's absence the work of the Disciplinary Committee is chaired by the deputy chairman. If the deputy chairman is also absent, the work of the committee is chaired by whichever attending member ranks next after the deputy chairman.
- 2.2.4 The Disciplinary Committee is in quorum when minimum two members summoned attend. All matters shall be decided by simple majority. If only two members are present the chairman has the deciding vote.
- 2.2.5 The chairman shall be responsible for keeping records of the meetings and proceedings of the Disciplinary Committee.

##### **2.3 Confidentiality**

- 2.3.1 The members of the Disciplinary Committee including deputies shall sign declarations where they accept a strict duty of confidentiality in all matters coming to their knowledge in their capacity as members, cf. the principles of the Securities Trading Act Section 11-13. This confidentiality duty shall also prohibit any member that is an employee of the Exchange from disclosing such matters to the Exchange.

## **2.4 Miscellaneous**

- 2.4.1 The remuneration to the members of the Disciplinary Committee and deputies shall be decided by the Board based among other things on the work hours spent each year. The chairman may be remunerated additionally.
- 2.4.2 The Exchange shall have the exclusive right and obligation to make publicly available all written recommendations from the Disciplinary Committee to the Board.

## **3 PROCEDURES FOR DISCIPLINARY SANCTIONS**

### **3.1 The surveillance department**

- 3.1.1 If the Exchange's surveillance department suspects a breach of the Market Conduct Rules and its investigation supports this suspicion, then the surveillance department may recommend disciplinary sanctions against the Market Participant(s) and/or Exchange Trader(s), as further provided for in the Market Conduct Rules.
- 3.1.2 Any recommendation for disciplinary sanctions shall be in writing and be filed with the Disciplinary Committee with copies to the relevant Market Participant(s) or Exchange Trader(s), and to the Board. A Market Participant shall always be copied in on filings related to his Exchange Trader(s).
- 3.1.3 Irrespective of the above, the surveillance department of the Exchange may issue oral warnings to Market Participants and/or Exchange Traders without filing with the Disciplinary Committee.

### **3.2 The advice of the Disciplinary Committee**

- 3.2.1 The Disciplinary Committee may upon receiving a filing as provided for above, request the Exchange's surveillance department to further investigate the case at hand and develop the factual and legal analysis or recommendation.
- 3.2.2 The filing copy shall invite the Market Participant(s) and Exchange Trader(s) involved to present their views to the Disciplinary Committee within two weeks. The Market Participant or Exchange Trader may respond in writing or request a meeting with the Disciplinary Committee to present his or her views. The Market Participant or Exchange Trader is not under any obligation to present his or her views.
- 3.2.3 The Disciplinary Committee may in special circumstances conduct its own investigations including by assigning tasks to qualified lawyers and other experts, at the Exchange's cost. The Board shall be pre-notified and may veto any assignment at its discretion or set limits for the costs to be accrued.
- 3.2.4 The Disciplinary Committee shall present its recommendation to the Board as soon as possible, and at latest within (4) weeks of the filing with the Disciplinary Committee unless the Board extends this time limit. The recommendation shall be in writing, with copies to the relevant Market Participant(s) and Exchange Trader(s) involved, and include a factual description with legal reasons.

### **3.3 The Board's decision**

- 3.3.1 The Board shall in its full discretion decide if and what disciplinary sanctions that shall be applied against the Market Participant(s) and/or Exchange Trader(s).
- 3.3.2 The Board's decision shall be notified to the relevant Market Participant(s) and Exchange Trader(s), and the Disciplinary Committee.

### **3.4 Complaint to the Exchange Appeal Committee**

- 3.4.1 An Exchange Member may if the Exchange imposes a Violation Charge, suspends or terminates its membership, file a complaint with the Exchange Appeal Committee, subject to further rules in the Securities Trading Regulations. Similarly an Exchange Member or other person may complain to the Exchange Appeal Committee if the Exchange imposes a daily charge under the Securities Trading Act Section 12-8.
- 3.4.2 Such filing imposes a stay on the proceedings concerned, with the exemption for daily charges.

3.4.3 The Exchange agrees that Section 3.4 shall also apply to Market Participants not being Exchange Members. However, handling of an appeal will then also require the consent from the Exchange Appeal Committee.

3.4.4 This Section 3.4 does not prohibit a Market Participant from instigating court proceedings following an appeal being decided or dismissed by the Exchange Appeal Committee.

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