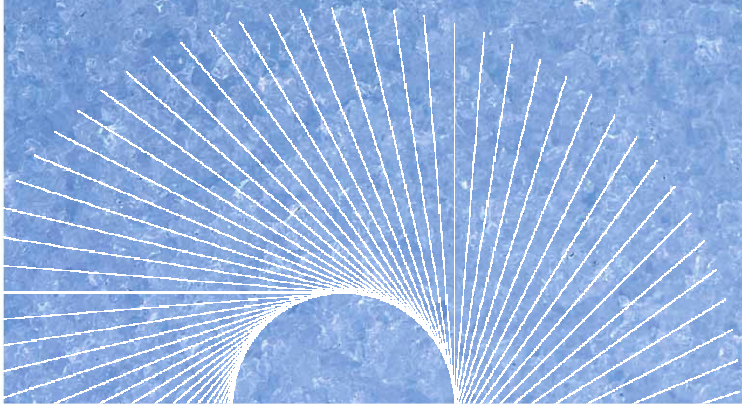


30 May 2012  
Christian Giswold

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# Regulation on Market Integrity and Transparency

## Experiences from the Nordic Market



# Agenda

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- Introduction of Nord Pool Spot and the Market Conduct Rules in the Nordic Market
- Experiences from the Nordic Market

# Regulation

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- Energy Act (Norway)
- License as market place and to organise cross-border transmission
- Rulebook for Nord Pool Spot AS
  - Disclosure requirements
  - Prohibition of insider trading
  - Prohibition of Market Manipulation

# Experience from prohibition of insider trading

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- When receiveing inside information it is important to have a well functioning system for publishing this information so that ordinary trading can be continued
- Similarly, it is important that the system allows for easy access to the information for readers.
- Finally, it is essential for market participants to have routines in place to ensure that trading is restricted when holding inside information

# Experience from prohibition of insider trading (2)

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- When publishing inside information it is essential to ensure a high quality of the information
  - If information is unclear or incorrect the sender of the information may still be holding inside information after publication
  - Erroneous information may be market manipulation
  - If the information is not of high quality, market participants cannot rely on the information, and the information consequently has little value

# Experience from prohibition of insider trading (3)

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- Implementation of «Chinese walls»
  - A number of the participants trading at Nord Pool Spot are also trading the derivatives market operated by NASDAQ OMX Commodities, and many have implemented «Chinese walls»
  - In the day-ahead and intraday market implementing «Chinese walls» are more challenging – having functioning routines for stopping trading when the company has inside information becomes even more important



# Challenges with handling of Inside Information

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- In some cases information can be sufficiently precise to be likely to affect prices before the decision is final within the company.
- When is certain information «likely to affect prices significantly»?

# Experience from Market Manipulation

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- The rules on market manipulation does not require the manipulator to have an intention or a profit from manipulating
  - Intention is difficult to prove
  - The effect on the market can be equally negative even if there is no intention
- The above implies that caution is required in order to ensure that you do not unintentionally manipulate the market



# Experience from Prohibition of Market Manipulation (2)

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- Even if the wording of the regulation implies that a market participant is strictly liable for all incidents that can have a manipulative effect, more subjective elements should be taken into account, such as:
  - Has the market participant acted with negligence?
  - Can the market participant otherwise be blamed for the incident?
  - What was the consequence for the market?
  - Other relevant circumstances