



Trading Appendix 5

Market Conduct Rules

CROATIAN POWER EXCHANGE Ltd.

1. INTRODUCTION

- 1.1. These Market Conduct Rules are part of the Trading Rules for CROPEX Markets. The provisions herein apply to all Members participating on any of CROPEX Markets, as they form a constituent part of the Membership Agreements.
- 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 make 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 CROPEX or otherwise set out herein, Market Surveillance shall have the authority to represent and act on behalf of CROPEX in all matters regulated by the Market Conduct Rules and references to "CROPEX" herein shall be construed accordingly. This authority of Market Surveillance includes authority to make requests for information pursuant to Sections 5. and 6. below and to issue non-public warnings pursuant to Section 8.2. below, but does not include the issue of any public warnings.

2. COMPLIANCE WITH APPLICABLE LAW

- 2.1. All Members shall at all times comply with Applicable Law and these Market Conduct Rules.

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. Further principles of interpretation are set out below and in the Trading Rules - General Terms.
- 3.2. For the purpose of these Market Conduct Rules, 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 these Market Conduct Rules (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 CROPEX 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 for its decision to enter into a Transaction relating to a Product, or to issue an Order for 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.

3.3. 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 as special regulation insofar as it relates to the subject matter of the Market Conduct Rules.

3.4. 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 time 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 CROPEX 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 CROPEX 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 the respective Member is a party are genuine.

4.3. A Member may not in any way improperly influence the price or price structure in any of CROPEX 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. Each Member shall publicly disclose any information as set out in these Market Conduct Rules relating to the Croatian 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.

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

5.3. Information shall be deemed to relate to the Croatian electricity market if the information relates to business or facilities inside the Croatian area, if the Member possesses this information and the information is not publicly disclosed in accordance with REMIT or other transparency regulation elsewhere.

6. DUTY TO PROVIDE INFORMATION TO CROPEX

6.1. Subject to Section 6.6. below, Members are obliged to provide all information which CROPEX considers relevant either in the context of the performance of CROPEX supervision of any of CROPEX Markets 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 CROPEX. 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) CROPEX 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 TSO, always provided that there is a written agreement put in place between CROPEX 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 CROPEX 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 CROPEX on behalf of such Member.

- 6.4. Communication between Members and CROPEX 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. CROPEX may make public the fact that investigations of any specific matter have been initiated, provided that the identity of the Member under investigation is not disclosed. CROPEX may only make public the identity of a Member under investigation if, at the sole discretion of CROPEX, 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 CROPEX to disclose and make public the results of the investigation.
- 7.2. CROPEX may disclose the results of any investigations which lead to a public warning or Violation Charge under Section 8. below, including the identity of the Member. CROPEX may furthermore reproduce and/or publish any relevant information gathered in the investigations to the extent such reference is reasonably necessary for CROPEX's reasoning in respect of its decision or the grounds for its decision. CROPEX 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.
- 7.3. Nothing in this Section 7. will be considered a breach of CROPEX's obligation of confidentiality.

8. CONSEQUENCES OF BREACH OF MARKET CONDUCT RULES

- 8.1. Any breach of these Market Conduct Rules shall be considered as Non-Compliance Event or Material Non-Compliance Event (as the case may be) under the Trading Rules – General Terms.
- 8.2. In the event of a Non-Compliance event as set out in Section 8.1. above, CROPEX shall have the right to issue a non-public notice regarding the breach to the Member, requesting that such breach be remedied within fifteen (15) calendar days after CROPEX sent the notice regarding the breach to the Member.
- 8.3. In case the breach of Market Conduct Rules envisaged in Section 8.2. above is not remedied in accordance with the notice given under Section 8.2. above, such breach shall be considered as Material Non-Compliance Event and Section 9.5. of the Trading Rules – General Terms shall apply.
- 8.4. 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 CROPEX under Applicable Law.

9. PROCEDURES FOR INVESTIGATION OF BREACHES AND DISCIPLINARY ACTIONS

9.1. General

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

9.2. Investigations and Market Surveillance's Recommendations

9.2.1. 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.

9.2.2. 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.

9.2.3. If the investigations of Market Surveillance support the suspicion of a breach of Market Conduct Rules, Section 8. of these Market Conduct Rules shall apply.

Zagreb, 18.12.2016.

Director
Silvio Brkić