

Guidelines to App. 4 to the Rulebook, the Market Conduct Rules

According to the Market Conduct Rules, if the Trade Member is in doubt concerning these rules, the Member may consult Fish Pool market surveillance on how to act. Please note that guidance in such respects is not a binding opinion, nor shall Fish Pool be liable for any advice given in such respects.

These guidelines are made public to give predictability for our Trade Members concerning Market manipulation and Insider trading:

Market manipulation:

Market manipulation can be done either by orders and trades in the Fish Pool market or by using media, verbally etc giving false or misleading information:

Using www.salmonprice.com for market manipulation:

Abnormal behaviour in the market can be indications of market manipulation; unusual volumes, strange prices, companies normally selling being buyers (or buyers selling) etc are possible examples. If the motivation behind the behaviour is to obtain something else than just trading at Fish Pool in own best interest, that is an indication of market manipulation. A control question to ask yourself when in doubt: "How would you have reacted if another Trade Member had this behaviour?"

Fish Pool has by September 2020 never sanctioned any cases of breach of market conduct rules, but there are several examples of such cases from other commodity exchanges:

- Orders or trades that leads to future prices on abnormal or artificial levels.
 - A seller planning to contract large volume in bilateral contracts outside of the exchange, may be motivated to lift the reference price at Fish Pool by buying at increasing price levels. As all buy orders will be matched with best (lowest priced) seller in the market, this is only possible if liquidity is low (few sellers)
 - A Trader wants to buy a contract. He enters, and maybe cancels, sales orders at ever-lower prices to push the market price down before turning around and buying, either at the exchange or in a bilateral contract outside of the exchange.
- In markets with options or bilateral financial contracts settled on market prices of a specific day, there are several cases where the market price of the specific day of settlement has been manipulated to give profits on the option contract. As Fish Pool settles all contracts based on average spot prices for a whole month, such a manipulation of the total spot market for a whole month would be very costly and most probably not profitable.

According to Rule 14.3 in the Fish Pool Rulebook, Trade Members have an obligation to provide Fish Pool with information relevant in respect to the market surveillance.

Spreading false and misleading information in media, verbal rumours etc:

Information giving false, incorrect or misleading information, when the one spreading the rumours knew or ought to know that the information was false, incorrect or misleading.

If a journalist spreads false, incorrect or misleading information this should be evaluated according to the rules for journalism, unless the journalist him/herself has a direct or indirect profit or advantage.

Inside information and insider trading:

Some clarifications to the Fish Pool Rulebook and Market conduct rules:

- Inside information is a binary rule. The information will be defined either as 100% inside information or not at all. There will never be a case of "a little bit" inside information.

- Inside information shall mean all information of a precise nature, which has not been made public and which, if it were made public, would be likely to have a significant effect on the price of a derivative or any related spot commodity contracts.
- It must be information, which market participants would expect to receive in accordance with what NFSA (Finanstilsynet) deems to be accepted market practices on the market concerned. This means information which is normally made available to market participants or information, the publication of which, is required by statute, regulations or other regulatory regime, including private law regulation and practices.
- It must also be information that a rational investor probably would use as a basis for an investment decision, meaning that the information is expected to probably change the forward price for salmon.
- Exempted is any information on the Trade Members own business plans and strategies for Trading at Fish Pool. Market participants are not obligated make such information available to the market.

Some theoretical examples as guidelines:

1. The largest salmon farmers are listed at Oslo Stock Exchange. They publish quarterly their profit and loss reports and their future outlook, including expected slaughtering volumes going forward. Very significant changes in information previously given to the market triggers an exchange notification (Børsmelding) according to the Oslo Børs exchange rules. This is information, which market participants expect to receive. Registering orders or trading after the trader knew, but before the notification (Børsmelding) is sent, may be Insider information. There has not been any exchange notification from the 3 largest Norwegian salmon farmers sent the latest years (until Sept 2020), of a significant change in planned production volume. A volume change for a medium sized or small producer would normally not change the forward price for salmon, and would thus normally not be considered inside information.
2. There are at all times disease outbreaks in salmon farming, ILA, PD etc. Fish Pool has no historical indication that these outbreaks have influenced the forward price of salmon. The farmer normally knows however before the information is made public. As a rational investor probably would not use a smaller, local outbreak as basis for an investment decision, it would not be considered inside information.
3. In May 2019 there was an extraordinary large algae outbreak in the North of Norway causing more than 50% loss of production in the affected areas. Registering orders or trading after a trader knew, but before this was made public, could in theory have constituted Insider information. The information was made public step-by-step during the outbreak with a huge media focus, and it took more than a week before the total consequence was clear. It is uncertain if anybody had more insight in the total consequences than what was published in the media, and thus had insider information.
4. In August 2014 Russia surprisingly stopped all import of Norwegian salmon. Russia was at that time the largest importer of Norwegian salmon. If any trader had access to information from government negotiations or other not publically available sources about the closing of the Russian market before this was made public, this would clearly constitute inside information.
5. In 2010 a French documentary aired on national TV in France suggested Norwegian farmed salmon could pose a health hazard. The TV program had a strong negative impact on Norwegian salmon. If any trader had access to the content, from not publically available sources, this could maybe have been inside information
6. In the autumn 2019 the Canadian authorities suspended temporarily a significant amount of salmon farming licences due to extraordinary high mortality. The listed salmon farmers being affected thus sent an exchange notification (Børsmelding) of their number of licenses being suspended. If a similar case should happen with a suspension of a significant amount

of salmon farming licences for the European production, this would be expected to influence the forward price of salmon. If any trader had access to information from government negotiations or other not publically available sources about such suspension before it was made public, this could qualify as inside information. The amount of mortality would however normally be well known before the government decision, so it is unclear if a suspension would come as a surprise to the market and thus influence the forward price of salmon.

Trading when holding inside information

The Rulebook says that “Trade Members may not register Orders or enter Trades when holding inside information.” It is not allowed to misuse inside information.

Here are some examples that we consider **not to be misuse** of inside information:

- Normal execution of previously entered future contracts, settlement etc.
- Not misusing the inside information by trading contradictory to the information. If a company has inside information, i.a. of a significant reduction in future supply of salmon, a rational investor would expect rising future prices. If the company sells at Fish Pool this would not be misusing the inside information.
- Some companies have a mechanical hedging strategy. Meaning that they for example do an equal volume of Fish Pool future contracts every quarter to hedge their salmon production risk. Following such pre-decided strategies can be done also in periods when holding inside information. Experience from commodity markets and the cases above however indicate that inside information is only relevant for very few days/hours. In such cases the Trade member should not be active at Fish Pool when holding inside information.
- Please note that the new MAR – rules (Market Abuse Regulation in force in Norway since March 2021) has a more widened definition of misuse. If you cancel an order, that may be misuse of inside information. Example: You entered a FIRM buy order on the 5th at 60 NOK/kg valid until the 15th. The 12th you received insider information that a rational investor would expect gives lower prices. If you cancel your buy order that can be interpreted as an action using inside information. If the insider information indicates higher prices leaving the order unchanged is OK. If it is traded after you received the inside information that is OK if you entered the order before you received the inside information. General advice: Do nothing in the period you hold inside information.

Fish Pools duty to report to Finanstilsynet, the Norwegian Financial Supervisory Authority

In case of a reasonable suspicion of market manipulation or insider trading, Fish Pool is obliged to report immediately to Finanstilsynet. There is a duty to report without informing the involved Trader(s) and before making thorough investigations.

The report to Finanstilsynet shall contain:

- Description of the order or transaction and the identity of the Trader and Company
- Background for the suspicion of market manipulation or insider trading, and all other information that could be relevant to assess the suspicion.

If Fish Pool understands, or ought to understand, that entering or executing an order is in breach with the Market Conduct Rules, Fish Pool has an obligation to stop the Trade Member.

By summer 2020 Fish Pool has not reported any cases of suspected market manipulation or insider trading reported to Finanstilsynet.