

MEMO – CODE OF CONDUCT

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Table of Contents

1. Preamble.....	3
2. Legal Classification	3
3. Definition	3
4. Prohibition on Market Manipulation	5
4.1 Principles.....	5
4.2 Prohibition of false and misleading behaviours.....	6
4.3 Prohibition of collusion or collusive cooperation	6
4.4 Prohibition of price positioning behaviours.....	6
4.5 Alternative procedures	7
4.6 Prohibition of Insider Trading	7
4.7 Principles.....	7
5. Market Members Organization Requirements.....	8
5.1 Organization of Market Members	8
5.2 Processing of Orders	9
5.3 Mandatory practices against VAT fraud and money laundering	9
6. Instructions information and penalties	10

1. Preamble

Article 1

- (1) Pursuant to the Organized Electricity Market Rules, the following Code of Conduct is applicable to OEMO and the Members of the Organized Electricity Market.
- (2) According to the European Regulation n° 1227/2011 on wholesale energy market integrity and transparency (REMIT) transposed into the Energy Law, this Code of Conduct establishes rules prohibiting abusive practices affecting wholesale energy markets.
- (3) This Code of Conduct aims to prevent and detect Market Members misbehaviour in order to operate the market in a fair and transparent manner.
- (4) This Code of Conduct aims to increase confidence in the market, its pricing mechanisms and the reference character of the agreed prices.

2. Legal Classification

Article 2

- (1) This Code of Conduct is part of the Organized Electricity Market Rules.
- (2) The Code of Conduct does not release the Market Members from their obligation to act in compliance with the other documents, which are an integral part of the Organized Electricity Market Rules.

3. Definition

Article 3

- (1) For the purposes of this Code of Conduct the following definitions shall apply:
 - a) 'Inside Information' means information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more energy products on the wholesale markets and which, if it were made public, would be likely to significantly affect the prices of those energy products, while for the purpose of this definition, information shall mean:
 - 1) information that should be published in accordance with the law and with the regulations and other acts passed or approved in accordance with the law; or

- 2) information related to the capacities and use of facilities for production, storage, consumption or transmission of electricity or natural gas, including the planned or unplanned unavailability of these facilities; or
 - 3) information that must be publicly available in accordance with the obligations established under this law and the regulations and other acts passed or approved in accordance with this law, contracts or usual practices of the relevant wholesale energy market, if they can have a significant impact on prices of energy products on the wholesale market; or
 - 4) other information that Market Members would use as a basis for trading decisions and placing an order for trading energy products on wholesale markets.
- b) Market Manipulation means entering into transactions or issuing orders to trade i.e.:
- 1) Entering into any transactions or issuing any orders to trade energy products on the wholesale market, which:
 - gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of energy products on the wholesale market;
 - secures or attempts to secure, by a person, or persons acting in collaboration, the price of one or several energy products on the wholesale market at an artificial level, unless the person who entered into the Transaction or issued the order to trade establishes that his reasons for doing so are legitimate and that that transaction or order to trade conforms to accepted market practices of the respective wholesale market;
 - 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 energy products on the wholesale market; or
 - 2) disseminating information through the media, 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 energy products on the wholesale market, 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.
- c) Attempt to manipulate the market means entering into any transaction, issuing any order to trade or taking any other action relating to contractual transactions with the intention of:

- 1) entering into any transactions or issuing any orders to trade or taking any other action relating to a certain energy product on the wholesale market, for the purpose of:
 - giving false or misleading signals as to the supply of, demand for, or price of energy products on the wholesale market; .
 - securing the price of one or several energy products on the wholesale market at an artificial level, unless the person who entered into the transaction or issued the order to trade establishes that his reasons for doing so are legitimate and that that transaction or order to trade conforms to accepted market practices of the respective energy products wholesale market; or
 - 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 energy products on the wholesale market; or
- 2) disseminating information through the media, 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 energy products on the wholesale market.

4. Prohibition on Market Manipulation

4.1 Principles

Article 4

- (1) Any engagement in or attempt to engage in Market Manipulation relating to contractual transactions is prohibited.
- (2) This prohibition includes, without limitation:
 - a) Any kind of false or misleading behaviour;
 - b) Any kind of collusions or the collusive cooperation of organized market members among each other or with third parties;
 - c) Any kind of Price positioning behaviour.
- (3) The Market Member commits to fairness towards the Organized Electricity Market and the other Market Members by concluding only Transactions on the Organized Electricity Market in compliance with the customary trade practices and the principles of professional market traders.

- (4) All orders submitted on the Organized Electricity Market must have a due economic justification. OEMO is entitled to look for such justification by requesting explanations from the Market Member.

4.2 Prohibition of false and misleading behaviours

Article 5

- (1) Market Members are especially forbidden to:
- a) place orders without a due economic justification;
 - b) place orders with no intention of executing them;
 - c) give false or misleading signals as to the supply of, demand for, or price of Contractual Transactions;
 - d) employ 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 Contractual Transactions;
 - e) disseminate false or misleading market information through media, including the internet or by any other means.

4.3 Prohibition of collusion or collusive cooperation

Article 6

- (1) Market Members are especially forbidden to enter into arrangements:
- a) for the sale or purchase of a wholesale energy under Contractual Transactions where there is no change in the beneficial interests or in the market risk; or
 - b) where the transfer of the interest to the beneficial owner or of the market risk takes place only between parties who are acting in concert or collusion.

4.4 Prohibition of price positioning behaviours

Article 7

- (1) Market Members are especially forbidden to:

- a) secure the price of one or several Contractual Transactions at an artificial level, unless the person who entered into the transaction or issued the order to trade establishes that his reasons for doing so are legitimate and that that transaction or order to trade is in compliance with the accepted market practices;
 - b) artificially cause prices to be at a level not justified by market developments of supply and demand, including actual availability of production or transportation capacity of demand.
- (2) Market Members are authorized to conclude Cross Trades as far as there is a real economic justification and/or no purpose of influencing Organized Market Prices.

4.5 Alternative procedures

Article 8

- (1) If an alternative procedure is used to determine the prices and quantities of traded electricity, all participants in these procedures in which the fair market value is established shall convey their assessment free from any self-interest and to the best of their knowledge and belief.

4.6 Prohibition of Insider Trading

Article 9

- (1) Market Members or their authorised representatives who possess inside information in relation to contractual transactions shall be prohibited from:
- a) using such 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, energy products on the wholesale market to which that information relates;
 - b) disclosing such information to any other person unless such disclosure is made in the normal course of the exercise of their activity, profession or duties; and
 - c) recommending or inducing another person, on the basis of inside information, to acquire or dispose of an energy product on the wholesale market to which that information relates.
- (2) The Market Members shall disclose inside information in accordance with the laws and regulations.

4.7 Principles

Article 10

- (1) In as far as a Market Member makes statements regarding its participation in the Organized Electricity Market towards the public, said participant shall make such statements truthfully.
- (2) Moreover, the Market Member shall refrain from bringing the Organized Electricity Market and companies operating on the Organized Electricity Market into disrepute by consciously false statements.

5. Market Members Organization Requirements

5.1 Organization of Market Members

Article 11

- (1) The Market Member shall organise its business operations in such a way that it fulfils all the legal and regulatory requirements for energy trading, especially in trading on the Organized Market and the settlement of contractual transactions.
- (2) The organisation of the Market Member referred to in paragraph (1) shall comprise, in particular, the following under consideration of the personal circumstances and the extent of its business activities:
 - a) that the Market Member has an internally established organisational structure;
 - b) that the scope of duties of the employees is clearly defined;
 - c) that the trading activities are monitored effectively internally; and
 - d) that effective risk management with regulations and control mechanisms for the basic risks from energy trading is available
 - e) The obligation to inform OEMO without any delay in case of any change in the information concerning its company.
- (3) The Market Member shall ensure that its Authorised Representatives are sufficiently qualified and enjoined to comply with these Rules, including this Code of Conduct.
- (4) The provisions of this Article apply to the trading participants and traders who carry out their clients' orders directly or indirectly on the Organized Electricity Market.

- (5) The Market Members shall treat their clients with the required level of professionalism and fairness and resolve conflicts with client's interests adequately.
- (6) Market Members shall, in particular, be obliged:
 - a) To provide their services in connection with trading on the Organized Electricity Market with the required expert knowledge, care and conscientiousness at all times;
 - b) To endeavour to avoid conflicts of interests and to clearly explain the possible conflicts of interest to the clients prior to the execution of transactions for clients.
- (7) All the information which Market Members make accessible to their clients has to be honest, unmistakeable and such information must not be misleading.
- (8) Generally, any introduction of client orders should serve the interest of the client and should have the same result as if the individual order would have been directly submitted to the Organized Electricity Market for execution.

5.2 Processing of Orders

Article 12

- (1) Upon the submission of client orders, a Market Member shall take precautions safeguarding that:
 - a) client orders are executed on the Organized Electricity Market forthwith, in particular, without favouring other client orders or own interests of the trading participants;
 - b) comparable client orders are executed or forwarded in accordance with the sequence in which they were received;
 - c) the interests of all the clients involved are preserved in combining client orders;
 - d) any misuse of information in connection with client orders which have not yet been carried out is prevented.

5.3 Mandatory practices against VAT fraud and money laundering

Article 13

- (1) The Market Members are liable for their clients towards the Organized Electricity Market Operator.

- (2) Market Members purchasing and selling on their own behalf for the account of a third party (customer transactions) have to avoid suspicious contractual relationship and especially do their best to prevent from being taken in chains of transactions involving VAT frauds and money laundering.
- (3) If the Market Member detects any suspicious behaviours, it shall inform without any delay the relevant authorities and OEMO Market Surveillance Team.

6. Instructions information and penalties

Article 14

- (1) The Market Members and their authorised representatives who trade on the Organized Electricity Market are obliged to comply with the instructions and rules of the relevant supervisory authorities as well as of OEMO, and in particular of the OEMO's Market Surveillance Team.
- (2) In case Market Members or their authorised representatives who trade on the Organised Electricity Market violate existing provisions or fail to comply with the instructions of the Market Surveillance Team, they can be temporarily suspended from trading on the Organized Electricity Market in its entirety or for certain market segments of OEMO in accordance with the more detail provisions contained in the Organized Electricity Market Rules.
- (3) The Market Surveillance Team is entitled to request the provision of information and the submission of documents from any Market Member and to carry out investigations in as far as this is required for the performance of its tasks according to the Organized Electricity Market Rules. In particular, the Market Surveillance Team is entitled at any time to request such information pertaining to the final beneficiaries of the operations of the Market Member.
- (4) In case the Market Member and its authorised representatives who trade on the Organized Electricity Market violate existing rules, fail to comply with the instructions of OEMO or the request for provision of information of the Market Surveillance Team or the relevant supervisory authority, OEMO may suspend them from trading on the Organized Market in its entirety or on certain market segments.
- (5) Violations that may lead to the suspension of trading do not exclude the initiation of misdemeanour proceedings by other competent authorities in accordance with the existing legal regulations.