
EXCHANGE NOTICE 3-2017 - Change in the Rulebook and appendices in relation to implementation of MiFID II and MIFIR on 3 January 2018

Announcement date: 20 December 2017
Effective date: 03 January 2018

Reference to Rulebook: Rulebook and appendices 2, 3, 4, 5, 9 and 10, version 3.0

Contact person: Morten Erichsen (me@norexeco.com)

Summary:

Implementation of EU regulation Directive (EU) No. 2014/65 of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, or simply the Markets in Financial Instruments Directive (MiFID II), and Regulation (EU) No. 600/2014 of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, or simply the Market in Financial Instruments Regulation (MiFIR).

- [MiFID II](#)
- [MiFIR](#)

comes into effect on 3 January 2018.

The new regulation requires NOREXECO to overhaul the Rulebook in compliance with the new regulation.

Please find new versions of documents on www.norexeco.com/rules.

Below find the **changes made** in the Rulebook including the appendices.

RULEBOOK

New par 1.5: (renumber old 1.5 to 1.6 and 1.6 to 1.7)

1.5

Where a Trade Member of category Non-Clearing Member enters into a Trade for its own account, or where any type of Trade Member enters into a Trade on behalf of a client, the Trade Member must ensure that it, or its client, has appropriate, legally effective arrangements in place pursuant to which the Trade Member or the client, as the case may be, becomes counterparty to the Trade pursuant to direct or indirect clearing arrangement with a Clearing Member.

Change in 4.1.3:

Upon evaluation of an applicant for Trade Membership, NOREXECO may for clarification purposes require additional information than the information requested in the application form. This information may relate to the applicant's legal status, **its MiFID II regulatory status, its Legal Entity Identifier code, its financial soundness, its technical systems and capability, its organization, level of competence and experience as well as other matters found relevant to NOREXECO's evaluation process.**

New 4.1.5 (renumber old 4.1.5 to 4.1.8 and 4.1.6 to 4.1.9):

In order to ensure compliance by the Trade Member with the Rulebook, NOREXECO shall, subject to relevant statutory and regulatory limitations, such as bank secrecy obligations, have the right to access the offices of the Trade Member (including any facilities or temporary offices wherein data is stored by the Trade Member) at the request of NOREXECO in order to conduct audits and in order to obtain any information which NOREXECO reasonably deems necessary in order to monitor and ensure compliance with the Rulebook and in order to fulfil its obligations pursuant to applicable financial market legislation and regulations given pursuant thereto.

New 4.1.6:

Without limiting Trade Members responsibilities in accordance with this section 4, Trade Members for which NOREXECO is responsible to perform transaction reporting and provide reference data requirements in accordance with MiFIR, shall provide the information necessary for NOREXECO to meet its Regulatory Transaction Reporting and reference data requirements. NOREXECO shall make available further guidance regarding the information to be provided hereunder.

New 4.1.7:

NOREXECO has the right to maintain records for at least five years of all relevant data relating to all Orders in Listed Products to be able to comply with NOREXECO's order record keeping obligations under MiFIR.

Change in old 4.1.6:

A Trade Member shall as soon as possible notify NOREXECO in writing of any change in **Regulatory Status** or any of the information given in the Trade Membership Agreement signed by the Trade Member.

Change in 4.3.3 (who can be nominated as traders - ref sponsored access, direct market access)

4.3.3 (first part - remains as is. New 4.3.4 for traders outside the Trade Member organisation, new 4.3.5 with the rest of 4.3.3)

Only Responsible Persons may nominate Traders.

Only Responsible Person of a Broker Member may nominate Brokers. For the purpose of these Rules, the term Trader also includes the term Broker where relevant.

Nomination of Traders shall be made in writing to NOREXECO. Only named Traders appointed by a Trade Member may trade at NOREXECO. A Trader or Responsible Person is not validly appointed until approved by NOREXECO.

A Trader must be a person. Computerised Algorithmic Trading is not accepted by NOREXECO.

New 4.3.4

A Trade Member may nominate a person outside its organisation as a Trader only after written application to NOREXECO.

The application must state whether the person shall access the ETS using the Direct Market Access or the Sponsored Access method. NOREXECO shall process and approve such application according to the rules of MiFID.

Technical equipment used for Sponsored Access must be tested and approved by Trade Member before it is put into operation. NOREXECO require further testing of such technical equipment. NOREXECO shall approve the connection of the technical equipment to ETS prior to implementation thereof.

New par 4.3.5 (with the remaining of old 4.3.3, and new text for DEA)

A Trade Member is responsible for all acts and deeds of a Responsible Person or a Trader designated by it in relation to Trading at NOREXECO and Clearing with the Clearing House.

The Trade Member has the same liability for Orders which are submitted via Direct Market Access or placed through Sponsored Access as for Orders which the Trade Member places in any other manner. Therefore the Trade Member shall also be liable for any and all actions taken via the electronic connections to ETS in Trade Member's membership identity, regardless of whether such actions are taken by an authorised representative of the Trade Member, Trade Member's client or any other party.

NOREXECO may at its sole discretion suspend or terminate a Trader's approval if such Trader is deemed to be in breach of the rules set forth herein.

Change in old par 4.3.4 - renumbered to 4.3.6

The Trade Member is responsible for providing the Trader with all necessary authorizations in order to carry out Trading at NOREXECO on behalf of the Trade Member. Revocation of such authority shall be notified **by phone and confirmed** in writing to NOREXECO **according to the procedure in Attachment II to the Trade Membership agreement**. If a Trade Member revokes the authority of all of the Traders and intends to continue trading, thus the Trade Member is required to approve a new Trader subject to approval by NOREXECO.

Change in par 7.4:

A Trade Member may during Trading Hours carry out Trading in Listed Products. All Orders at NOREXECO will be published, ~~and~~ recorded in the ETS **and stored for full audit trail of the orders. An order is valid only after the required information, ref par 8.2, is present**. The Clearing House will provide Clearing of Trades.

Change in par 7.7

Trading in the ETS **or by assistance of NMS** is subject to ~~pre-trade risk limits~~ **To the extent supported by the ETS, NOREXECO may impose** Pre-Trade Limits related to price and volume on Orders. An Order that breaches a Pre-Trade Limit ~~set by NOREXECO~~ shall not be accepted by the ETS **or the NMS**.

New 7.8 (the responsibility for the Trade Member to apply ETS limit features) **renumbering 7.8 to 7.13**

The Trade Member is responsible for ensuring that the available limits in the ETS are known and used, that adequate pre-trade and post-trade controls and procedures are in place and shall have technical and administrative arrangements in place enabling it to cancel immediately, as an emergency measure, any or all of its unexecuted Orders submitted to NOREXECO.

Changes in par 8.2 (Orders, general requirement for both ETS and MNO orders)

When an Order is registered in ETS or an Order is placed with NMS, the Trader will be required to specify:

- Buy or sell order
- **Order type**
- **Order duration**
- ~~Product (future or option)~~
- Product series
- Trade volume
- Trade price
- ~~Strike price~~
- ~~Option premium~~
- Expiry date
- **If applicable, the client ID**
- **Trader ID**
- **If applicable, identity of the person responsible for the investment decision**
- **Identity of the person responsible for submitting the order (execution decision)**
- **Whether the order, if executed, is risk reducing, i.e. the resulting Trade would constitute a hedge**
- **In what trading capacity the order is submitted, including whether the order is submitted as part of a Market Making Strategy or any other liquidity provision activity**
- **Clearing or Trading Account, if other than default**

New chapter 16 - Reporting of Positions (chapter 16, 17, 18, 19 and 20 renumbered up by 2)

16.1 The provisions of this chapter 16 apply to reporting of positions in Listed Products traded at NOREXECO, the “Reportable Positions”. For the avoidance of doubt, economically equivalent OTC contracts, EEOTC, is not subject to the reporting requirements of this chapter 16.

16.2 Trade Members shall on a format prescribed by NOREXECO report to NOREXECO the 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”. The position report shall be according to regulatory requirements and at least contain the information needed to identify the position holder, the ultimate owner and whether the position is risk reducing or not.

16.3 Position Reports from Trade Member to NOREXECO are due on T+1 of any Trading Day at the time prescribed by NOREXECO.

16.4 NOREXECO is required to, on a daily basis, provide the NCA of Norway with a complete breakdown of the positions held by all persons as reported in the Position Report according to section 16.2, hereinafter referred to as the “Daily Position Report”.

16.5 NOREXECO is required to, 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 Daily Position Report. NOREXECO will communicate the report to the NCA of Norway and to ESMA that will also publish the information included in those reports, hereinafter referred to as the “Weekly Position Report”.

New Chapter 17 - Position limits

17.1 The NCA of the country where NOREXECO is established, Norway, 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 “Position Limits”. The named NCA is responsible for the application of the Position Limits.

17.2 The provisions of this chapter 20 set out the position management controls to be applied by NOREXECO to enforce Position Limits. NOREXECO may at any time develop own position limits as a mean to control positions held in Listed Products traded on NOREXECO, but for the purpose of position limits being developed by NOREXECO or if being instructed by a Competent Authority, the following position management controls allow NOREXECO to:

17.2.1 Monitor the open interest positions in Listed Products which are reported in the Position Report; and

17.2.2 access information, including all relevant documentation about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market; and

17.2.3 require a Trade Member to terminate or reduce a position held by the Trade Member 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 Trade Member does not comply; and

17.2.4 where appropriate require a Trade Member 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.

New par in old 19.1.3 (old 19.1.3 renumbered to 21.1.3)

Subject to applicable and mandatory law, NOREXECO may use any information in relation to any Trade Member, client or other business relationship of the Trade Member where necessary to enable the proper performance of its activities and in order to protect the integrity and adequate functioning of the market.

Appendix 2 the indices

Under the paragraph Index Provider:

FOEX is a company located in Helsinki, Finland and since **April 2017 owned by Euromoney Institutional Investor PLC, a London Stock Exchange listed company. April 2014 owned by London-based AXIO Data Group Ltd.** FOEX publishes weekly and monthly audited pulp, paper, paperboard and wood-based bioenergy indices. Publication follows the Finnish calendar and time-zone is CET+1. FOEX owns the trademark rights to the PIXTM indices.

Under the Standards and Key Principles paragraph:

new fifth bullet point:

- **FOEX is engaged in developing the PIX index methodology and process to be compliant with IOSCO's Principles for Price Reporting Agencies**

Appendix 3 - Fee list

The fee for ETS is 500 EUR per month. The fee includes up to three access units to be used within the Trade Member's company.

Additional access units for internal use may be subscribed at a fee of 100 EUR per month.

A Trade Member may **subject to approval from NOREXECO according to paragraph 4.3.4 in the Rulebook** order access units for affiliated companies or clients at a fee of 100 EUR per month.

Appendix 4 ETS Agreement

Section 2 - last paragraph

The Trade Member may **subject to approval from NOREXECO according to paragraph 4.3.4 in the Rulebook** nominate persons outside the Trade Member's organisation as Trader or Read-only user provided the person is a representative for a client of the Trade Member. Such Trader or Read-only accounts are user accounts of the Trade Member.

Appendix 5 Market Conduct rules

New last bullets point on page 5:

- **changes in its MiFID II Regulatory Status, classification as Investment firm or non-Investment firm**
- **change of LEI code**

Appendix 9 - Trade membership agreement

Paragraph 12:

In accordance with applicable law, NOREXECO will automatically record and store telephone **and electronic** conversations made in relation to Trading at NOREXECO in order to secure evidence of Orders and Trades at NOREXECO.

After paragraph 14:

This Trade Membership Agreement has three attachments **made by NOREXECO**, and a **fourth attachment made by ECC**:

Attachment II - Section 2 - Remove authorizations for Traders and Responsible person

Removal of the authorisation as Trader shall be according to the following procedure:

1. The Trade Member shall inform NOREXECO by phone to NOREXECO Market Operation on the prevailing published number when the authorisation of an approved Trader shall be removed.
2. NOREXECO Market Operation shall suspend the access to the ETS, cancel all unmatched, remaining orders entered into the ETS by the Trader and
3. Inform the NOREXECO Market Service desk that no further orders from the Trader shall be accepted.
4. The Trade Member shall be informed about the outcome of the suspension process without undue delay.
5. The Trade Member must confirm the removal of the authorisation in writing using this form.

Appendix 10 - new definitions

Algorithmic Trading

Means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention

CA

Competent Authority. A financial market regulator.

CET

Central European Time. CET relates to Universal Time Coordinated (UTC) (previously known as Greenwich Mean Time) by +2 hours in the period from last Sunday of March until the last Sunday of October and by +1 hour the rest of the year.

Daily Position Report

The daily position report as defined in EU Implementation Regulation 2017/1093 (MiFID II ITS 4). Trade Members of NOREXECO is required to report their Reportable Positions in NOREXECO traded financial instruments to NOREXECO. NOREXECO is required to report the positions to the NCA of Norway on T+1.

Direct Market Access

A Trade Member, which is an investment firm pursuant to applicable legislation implementing MiFID or a credit institution authorised under Directive 2013/36/EU, may, upon approval by NOREXECO, automatically transfer Orders submitted by a client of the Trade Member to the ETS. By applying this method, the client of the Trade Member gets Direct Market Access.

EEOTC

Economic Equivalent Over-The-Counter. OTC traded instruments that is economically equivalent to an instrument listed on a trading venue.

ESMA

The European Securities and Markets Authority, Paris, France

LEI

Legal Entity Identifier code. A global unique identifier. Each Trade Member and client of Trade Members need to have a LEI in order to participate in trading on NOREXECO.

MiFID (I and II)

Directive 2014/65/EU of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended, and any national legislation and regulation transposing MiFID. As required by the context, it shall include any Level 2 or Level 3 measures adopted hereunder.

MIFIR

Regulation (EU) No 600/2014 of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, as amended. As required by the context, it shall include any Level 2 or Level 3 measures adopted hereunder.

Order Record Keeping

EU Commission Delegated Regulation 2017/580, MIFIR RTS 24, requires trading venues to keep track of all Orders and change of Orders. The information requirement is defined in Annex I to RTS 24. NOREXECO is required to provide information to the NCA of Norway upon request. Trade members are obliged to furnish NOREXECO with required information.

Reportable Positions

Positions held in financial instruments traded on NOREXECO. According to MiFID II, Trade Members must report their, and eventual their clients positions in instruments traded on NOREXECO including the information required by MiFID II to NOREXECO. NOREXECO is obliged to forward the required information to the CA of Norway.

Position limits

EU Commission Delegated Regulation 2017/591, MiFID II RTS 21, requires that position limits are defined and regulated by the regulator in the country of the regulated market. Position limits for NOREXECO products are defined and regulated by the NCA of Norway.

Regulatory Status

MiFID II defines members of trading venues to be Investment firms. Commercial undertakings may declare themselves to be a non-Investment firm. Trade members of NOREXECO must declare whether they are Investment firms or non-Investment firms.

Regulatory Transaction Reporting
See Transaction Reporting

Sponsored access

A Trade Member, which is an investment firm pursuant to applicable legislation implementing MiFID or a credit institution authorised under Directive 2013/36/EU, may, upon approval by the NOREXECO, permit a client to transmit Orders in the Trade Member's membership identity directly from the client's trading infrastructure or through a third party vendor to the ETS. By applying this method, the client of the Trade Member uses the Sponsored Access method.

Third Country

Countries not within the European Economic Area, EEA.

Trader

An approved and authorized person that is an employee of the Trade Member or a person that is an affiliate of a client of a Trade Member subject to authorisation by NOREXECO that represent a Trade Member authorized to execute trading at NOREXECO.

Transaction Reporting

EU Commission Delegated Regulation 2017/590, MIFIR RTS 22. MIFIR requires Investment firms to report transactions in financial instruments to the relevant NCA. NOREXECO is required according to MIFIR to do transaction reporting to the NCA of Norway for non-Investment firms and Third Country Firms. Trade Members are obliged to furnish NOREXECO with the information required.