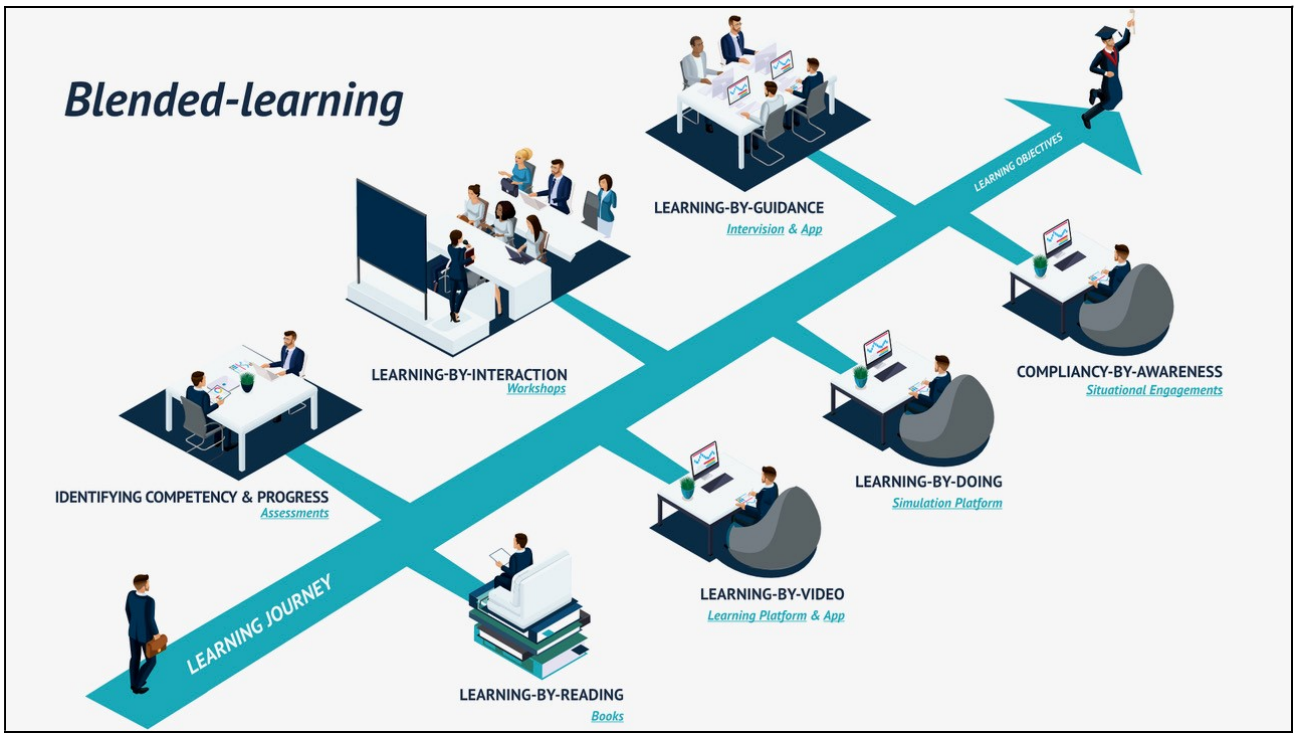
MARKET ABUSE
TRAINING STANDARD



FOR INSIDERS, ASSET MANAGERS, TRADERS, BROKERS, TRADE SURVEILLANCE SPECIALISTS & MARKET MONITORING EXPERTS

IN THE EUROPEAN WHOLESALE ENERGY MARKETS

MATS

MARKET ABUSE TRAINING STANDARD

***"Training is part of the compliancy framework,
as well as creating awareness, and providing periodic updates"***

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PART I:

THE TRAINING OBLIGATION

A REGULATORY REQUIREMENT

OBLIGATORY DUTY – TRAIN, RAISE AWARENESS & UPDATE

Market abuse regulations (e.g., REMIT) require companies in scope **i.** to train employees, **ii.** to do so periodically, and **iii.** to create awareness. This training obligation requires a structured approach. For that matter the market abuse training standard (MATS) has been developed.

Basically, any employee in relevant positions should have a fundamental knowledge about the existance of the regulation that their employer is in scope of, and the related prohibitions and obligations.

1. **Market practitioner**

Specific functions should know more than just the basics. Essentials need to be mastered by:

2. **Insider**,
3. **Deal-maker**, and
4. **Surveillant**

Ad 1. Market Practitioner
Any Market Practitioner needs to have a general awareness concerning the prohibitions and obligations that apply to themselves and/or their employer.

Ad 2.Insider
Organisations in scope of market abuse regulations have to raise awareness amongst their insiders, specifically about inside information and the handling thereof. This information has to be treated with care, as unlawful or improper disclosure can be sanctioned. Incorrect and/or incomplete publication will be considered ineffective.

> Insiders include:
>
> 1. Members of the administrative, management or supervisory bodies of an undertaking;
> 2. Persons with holdings in the capital of an undertaking;
> 3. Persons with access to the information through the exercise of their employment, profession or duties;
> 4. Persons who have acquired such information through criminal activity;
> 5. Persons who know, or ought to know, that it is inside information.

Ad 3. Deal-maker
Any broker (***market facilitator***) and trader (***market participant***) is a deal-maker. A balancing responsible person (BRP) at a transmission system operator (TSO) operates (***market operator***) and enters the balancing market to levels out a surplus or deficit also concerns a deal-maker. They have to

be provided training in the field of insider trading and market manipulation. After all, professionals with market access are at the forefront of the business and can impact the market more than anyone else. Besides, sanctioning could be on the heads of individuals, including (or primarily) deal-maker, not just companies. This liability should be reflected in the minimum requirements for training.

> ***Market participants*** *should develop a clear compliance regime towards real time or close to real time disclosure of inside information and the further requirements, beyond compliance with existing [.....] transparency obligations. National regulatory requirements should consider the following best practice example of such compliance regime for market participants, but taking into account the market participant's size and trading capacity:*
>
> - *Compliance culture: the creation of a corporate culture to comply with regulatory requirements,*
> - *Compliance objectives: the compliance with regulatory requirements obligations and the market abuse prohibitions,*
> - *Compliance organisation: the definition of roles and responsibilities in the internal organisation (e.g. responsibilities for the regulatory requirements (centralised vs. decentralised), internal vs. external reporting lines, internal vs. external interfaces, provision of resources: human / technical (IT Systems) resources),*
> - *Compliance risks: the identification / assessment of concrete compliance risks,*
> - *Compliance programme: the identification of concrete actions to define compliant/noncompliant behaviour,*
> - *Communication: the communication of the rules and regulations to be observed:*
>   - *internal communication and **training** concept (raising the **awareness** of employees);*
>   - *external communication and reporting to the authorities;*
>   - *reporting processes: internal reports on compliance, reporting of infringements, status of current processes, etc.*
> - *Monitoring improvements: internal controls, audits, etc.; reporting lines for monitoring results; documentation of processes and actions.*

Ad 4. Surveillant

Any trade compliance specialists and experts with a market monitoring or trade surveillance function concerns a surveillant.

> Guidance on the training obligation regarding the European Union market abuse regulation (MAR):
>
> *"Members of the market surveillance team should be given appropriate training and guidance on the regulation and the practical considerations for the application of trade surveillance. Training should be delivered regularly according to the training map and should be updated in line with any guidance offered by the authorities. Training should not be restricted to the members of the market surveillance team and should be offered across the organisation where appropriate. A record of training attendance or completion should be kept and the effectiveness of training shall be assessed by the company."*

> *"1. Persons professionally arranging or executing transactions and market operators and firms operating a trading venue shall organise and provide effective and comprehensive training to the staff involved in the monitoring, detection and identification of orders and transactions that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation, including the staff involved in the processing of orders and transactions. Such training shall take place on a regular basis and shall be appropriate and proportionate in relation to the scale, size and nature of the business.*
>
> *2. Market operators and investment firms operating a trading venue shall in addition provide the training referred to in paragraph 1 to staff involved in the prevention of insider dealing, market manipulation or attempted insider dealing or market manipulation."*

Beyond the regulatory training requirement

The reasons to educate should exceed the mandatory reason. Education meets a functional desires and is actually an operational necessity. Without the required knowledge and skills one would not be able to handle practical cases and cope with dilemmas in the operation or business. After all, the prohibition of insider trading and market manipulation may be absolute, but the rest is not. Practical case handling requires a pragmatic view and a principle-based approach. This leads to another reason to structure training, and the related market abuse training standard (MATS). Awareness training is amongst the solutions.

The reasons to educate staff are manifold:

- Contribute to a fair, level, and orderly playing field for trading activities
  - ✓ Trust is needed in the markets where companies operate and which impacts consumers
- Avoid a loss of reputation
  - ✓ Reputational damage may even destroy the ability to operate
- Shield employees from civil and criminal liabilities
  - ✓ Firms have a responsibility to protect their employees
- Mitigate compliance risk – Avoid or minimise the risk of regulatory measures
  - ✓ Adhering to regulations avoids risks that could undermine long-term success

THE CONCEPT – MATS

ENTRIMA's mission is to support the prevention and detection of market abuse and to foster integer markets. This should be achieved via training, with periodic updates and due to increased awareness. Therefore, we have developed and maintain the Market Abuse Training Standard (MATS) and provides mobile learning services accordingly.

- Regulatory compliance requires **TRAINING**
- Parties in scope have to create **AWARENESS**
- Periodic training **UPDATES** are a must

Training is mandatory; it is part of the compliancy framework. Market abuse regulations require that training has to be provided and periodic updates need to be performed. Nevertheless, it is not provided exactly who has to be educated, nor what content should be mastered, and neither how intense is should be (frequency & level). To cope with this matter, ENTRIMA offers the solution: the Market Abuse Training Standard (MATS).

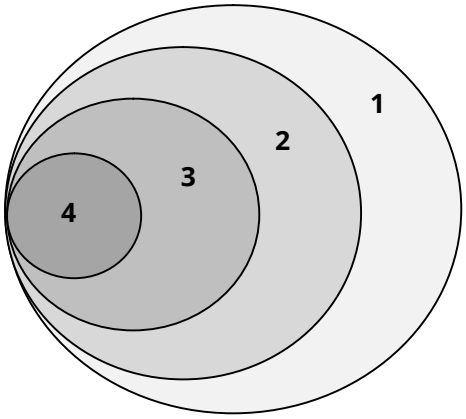
- All ENTRIMA's training courses based on MATS include examination.
- A candidate who passes an exam is certified instantly.
- Including reporting on proceedings & achievements, evidencing educational compliancy

Although there is no one-size-fits-all approach, a minimum knowledge level is required for all professionals in the wholesale energy markets. With MATS, criteria have been defined and are maintained. With this ***uniform training approach*** high quality educational services can be provided throughout all relevant jurisdictions and across different companies. It would also allow for identifying a professional's expertise (whether the standard is met). Furthermore, a market standard and harmonisation allows for continuity when people move from one employer to another. Hiring staff with ***guaranteed minimum competencies*** is the consequence.

MATS is very suitable for exchanges, brokerage firms and companies with a trading function, as well as parties in the wholesale energy markets with physical production, consumption, storage and transport capacity (incl. producers and system operators).

TARGET GROUPS

The market abuse training standard concept is very suitable for:



1. **Market practitioner**
   - Any professional in the wholesale energy markets in general
     - ✓ Anyone working in or relating to the wholesale energy markets
2. **Insider**
   - Any (potential) inside information carriers
     - ✓ Manager of physical asset *(plant manager, asset manager)*
     - ✓ Dispatcher
     - ✓ System operator
     - ✓ Executive or senior manager
     - ✓ Shareholder
3. **Deal-maker**
   - Any professional with a market access function
     - ✓ Trader
     - ✓ Broker
     - ✓ Balance responsible professional
4. **Surveillant**
   - Any professional with a market monitoring / trade surveillance function.
     - ✓ Market surveillance function at an organised market place *(e.g. exchange, brokerage firm, system operator)*
     - ✓ Trade surveillance function at a trading organisation

USPs

The Market Abuse Training Standard (MATS) offers professionals and their employers various unique features:

- Insurance against non-compliance.
- Effective solution to market abuse prevention.
- Improved market abuse detection.
- Reputational risk management tool.
- Awareness training.
- Standard applied by numerous parties; therewith, 'best practice'.
- Readily available; off-the-shelf training framework.
- Integrated reporting on participation, proceedings, examination & certification.

- Unburden your compliance function:
    - Compliance officers may lack time to train;
    - Compliance departments may lack sufficient budget to develop online training;
    - Compliance experts may not have the skills or competences to educate;
    - Compliance specialists may lack the tools to train in an effective manner.

- One-stop-shop for conduct training:
    - ENTRIMA facilitates the provision of learning services;
    - One point of contact - you only face ENTRIMA;
    - All services in identical format;
    - One reporting system.

PART II:

THE TRAINING SOLUTION

A PRACTICAL APPROACH

JOB–COMPETENCY PROFILES - KNOWLEDGE REQUIREMENTS FOR DIFFERENT TARGET GROUPS

Below is provided an overview with minimum knowledge requirements for professionals in the wholesale energy markets.

	Market Practitioner *(each market pro)*	**Insider** *(physical business)*	**Deal-maker** *(order handling)*	**Surveillant** *(prevention & detection)*
WHO? *(Job title)*	- Control functions at Market Participant, Operator, or Facilitator *(e.g. Risk manager, Business/Fin. controller)* - Support functions at Market Participant, Operator, or Facilitator *(e.g. Back office, IT, HR)* - Functions at Sales dep. *(e.g. Account manager)*	- Management functions *(e.g. Executive, Manager)* - Functions relating to physical assets *(e.g. Operator, Dispatcher, Asset/Plant manager, Manager at/of facility)* - Any pro who is ought to know what inside information is	- Business functions at front office of trading firm or brokerage firm *(e.g. Trader, Originator, Interdealer Broker, Broker-Dealer)* - Balancing function at TSO *(e.g. balancing market operator)*	- Market monitoring function *(e.g. Market supervisor at exchange or brokerage platform)* - Trade surveillance function *(e.g. Trade surveillance officer)* - Trade compliance *(e.g. Compliance officer)*
WHAT? *(Content)*	- Being aware of regulations. - Understand that firms have to comply, but also individuals. - Know that prohibitions & obligations may apply. - Understand the relevance of compliance. - Consciousness about sanctioning. - Familiarise with relevant institutions & supervisor	*All elements mentioned to the left, plus these:* - Master the commodity value chain. - Being able to identify inside information. - Handling inside information carefully. - Master the publication of inside information.	*All elements mentioned to the left, plus these:* - Prohibition of insider dealing. - Prohibition of market manipulation. - Forms of market manipulation. - Abusive schemes + criteria of relevance - Practical cases - Jurisprudence - Ethical blindness elimination	*All elements mentioned to the left, plus these:* - Master fundamentals & essentials of markets, products, pricing & trading. - Master related concepts processes & terminology - Best practices - Trading strategies & technicalities - Master futures, swaps & options price formation
HOW? *(Tools)*	- Training, examination & certification re the above stated content. - Periodic updates. - Raising awareness.	- Training, examination & certification re the above stated content. - Periodic updates. - Raising awareness.	- Training, examination & certification re the above stated content. - Periodic updates. - Raising awareness.	- Training, examination & certification re the above stated content. - Periodic updates. - Raising awareness.
WHERE?	- ENTRIMA platform, workshops, intervision services & case studies	- ENTRIMA platform, workshops, intervision services & case studies	- ENTRIMA platform, workshops, intervision services & case studies	- ENTRIMA platform, workshops, intervision services & case studies

Further to the knowledge requirements, learning requirements have been set. Based thereon, ENTRIMA provides training courses. On this basis, parties can proof competency and awareness.

AWARENESS TRAINING

Market integrity is a must. Therefore, it is market participants', operators' and facilitators' responsibilities to contribute to the desirable culture and ethical attitude. Based on this, online training courses are provided.
Any professional in the wholesale energy markets should be aware of the relevant legislation. Each professional needs to know what prohibitions and obligations apply and one has to familiarise with enforcement, supervision and sanctioning. Awareness training is of utmost importance to minimise compliance risk. Besides, increasing market complexity also requires more attention to behaviour.

Certified professionals have proven awareness
Successfully taking an exam leads to certification. Certification allows for registration as Chartered Professional.

1. Certified Market Practitioner
2. Certified Insider
3. Certified Deal-maker
4. Certified Surveillant

OTHER (LEARNING) SERVICES

Besides the transfer of factual knowledge via courses and awareness training, various other learning services are provided via ENTRIMA's online platform. These services take into account that training is mandatory and periodic updates are required.

- **Annual update & exam**
  - Annual update provided to Alumni, to assure maintenance of knowledge base.
  - Annual exam, to proof that knowledge base is maintained, including certification.
  - To prepare for the exam a candidate is provided access to the learning environment.
  - Available for alumni (i.e. certified professionals); under an annual licence.

  ➢ ***This meets the requirement to train periodically.***
  ➢ ***This meets the requirement to keep staff up-to-date.***
  ➢ ***It reinforces the mastered contents and assures embedding of competencies.***
  ➢ ***This fosters continuous professional development***

- **Community for Alumni**
  - Platform to exchange practical experiences, address questions and/or answer them.
  - Participation for Alumni (i.e. certified professionals).

  ➢ ***Interactivity and supportive debates contribute to raising awareness.***
  ➢ ***This contributes to cross-learning (cross-commodity, cross-company, cross-border).***
  ➢ ***Sharing solutions contribute to best practice creation.***

- **Reporting – *Proceedings & achievements***
  - ENTRIMA provides exclusive and comprehensive report on course proceedings, exam results and certification of your employees.

CONTACT

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