

MARKET ABUSE POLICY

Prevention, Detection and Reporting of Market Abuse

NIHAO CARBON CERTIFICATES

Version 1.0

Effective Date: January 1, 2024

Classification: CONFIDENTIAL

1. Regulatory Framework

This policy implements the Market Abuse Regulation (MAR) – Regulation (EU) No 596/2014 – which applies to emission allowances as financial instruments since January 2018.

2. Prohibited Behaviors

2.1 Insider Dealing

It is prohibited to:

- Engage in insider dealing (trading on inside information)
- Recommend or induce others to engage in insider dealing
- Unlawfully disclose inside information

2.2 Inside Information – Carbon Markets

Examples of inside information in carbon markets include:

- Advance knowledge of EU ETS policy changes
- Non-public information about auction volumes or mechanisms
- Knowledge of large client orders
- Information about installation closures or significant emission changes
- Non-public verified emissions data

2.3 Market Manipulation

Prohibited manipulative behaviors include:

- Wash trading (trading with oneself)
- Spoofing (entering orders without intent to execute)
- Layering (multiple orders to create false impression)
- Pump and dump schemes
- Disseminating false or misleading information

3. Suspicious Transaction Reporting (STOR)

3.1 Nihao Carbon Certificates has a legal obligation to report suspicious orders and transactions to the National Competent Authority.

3.2 STORs must be submitted without delay upon reasonable suspicion.

3.3 All staff must report suspicious activity to the Compliance Department immediately.

4. Surveillance Systems

- Automated trade surveillance systems
- Pattern detection algorithms
- Unusual volume/price movement alerts
- Cross-market surveillance
- Employee trading monitoring

5. Personal Account Dealing

- 5.1 All personal dealing in Carbon Certificates by staff must be pre-approved.
- 5.2 Trading against client orders is strictly prohibited.
- 5.3 Minimum holding periods and blackout periods apply.

6. Training

All relevant staff receive annual training on market abuse recognition and reporting obligations.

7. Penalties

Market abuse is a criminal offense. Penalties include substantial fines and imprisonment. Nihao Carbon Certificates will report violations to regulators and may terminate relationships with clients involved in market abuse.