Act No. 108/2007 on Securities Transactions

Passage through the Althing. Legislative bill.

Entered into force on 1 November 2007. *EEA Agreement:* Annex IX, Directive 89/298/EEC, 89/592/EEC, 2001/34/EC, 2003/6/EC, 2003/71/EC, 2003/124/EC and 2003/125/EC, Commission Regulation (EC) 2273/2003, Directive 2004/25/EC, 2004/39/EC, 2004/72/EC and 2004/109/EC. *Amended by* Act No. 88/2008 (entered into force on 1 January 2009, except for Interim Provision VII, which took effect on 21 June 2008) and Act No. 96/2008 (entered into force on 24 June 2008), Act No. 22/2009 (entered into force on 17 March 2009).

Chapter I.Scope and definitions

Article 1*Scope*

This Act shall apply to securities transactions.“Securities transactions” shall mean:

1. Reception and transmission of client orders in relation to one or more financial instruments;

2. Execution of orders on behalf of clients;

3. Dealing in financial instruments on own account;

4. Portfolio management;

5. Investment advice;

6. Underwriting of financial instruments and/or placing of financial instruments;

7. Placing of financial instruments without underwriting;

8. Operation of multilateral trading facilities (MTF).

“Securities transactions” shall also mean the following transactions or operations if closely connected to transactions or operations under paragraph 1:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;

2. Granting credits, guarantees or loans to an investor to allow him to carry out a transaction in financial instruments, where the financial undertaking granting the credit or loan is involved in the transaction;

3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;

4. Foreign-exchange services where these form a part of the provision of investment services;

5. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;

6. Services related to underwriting;

7. Services related to the underlying of a derivative, as provided in subparagraphs (e) and (h) of point 2 of paragraph 1 of Article 2 where these are connected to securities transactions as defined in this Article.

Article 2*Definitions*

For the purposes of this Act the following definitions shall apply:

1. *Financial undertaking:*As defined in the Act on financial undertakings.

2. *Financial instrument:*

a. A security, i.e. any transferable security negotiable on the capital market, with the exception of instruments of payment, such as:

i. Shares in companies and other securities equivalent to shares in companies, partnerships or other legal persons, and depositary receipts in respect of shares;

ii. Bonds or other forms of securitised debt, including depositary receipts in respect of such securities;

iii. Any other securities giving the right to acquire or sell any transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;

b. Money-market instruments, i.e. those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers, excluding instruments of payment;

c. units in an undertaking for collective investment;

d. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates, yields, other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

e. Commodity derivatives;

f. Derivative instruments for the transfer of credit risk;

g. Financial contracts for differences;

h. Other derivatives not falling under subparagraphs (d) to (g) but having the same properties as these derivatives.

3. *Portfolio management:* Management of a securities portfolio in accordance with an investment strategy predefined by a client.

4. *Investment advice:* The provision of personal recommendations to a client in respect of financial instruments, either at the initiative of the client or the provider of the service.

5. *Admission of a financial instrument to trading:* Approval by a stock exchange of the start of trading in financial instruments on a regulated market subject to its rules under Article 22of the Act on stock exchanges.

6. *Multilateral trading facility (MTF):* A multilateral system, operated by a financial undertaking or a stock exchange, which brings together buying and selling interests in financial instruments in accordance with non-discretionary rules in a way that results in a contract in accordance with the provisions of Chapter IV.

7. *Regulated market:* A market in financial instruments, as defined in the Act on stock exchanges.

8. *Stock exchange:* An operator of a regulated market as defined in the Act on stock exchanges.
9. *Professional client:* A client possessing the experience, knowledge and expertise to make his own investment decisions and properly assess the risks that they incur. The following parties shall be regarded as professional clients:

a. Legal persons in Iceland or abroad licensed to operate or engaged in regulated activities in financial markets, including financial undertakings and businesses connected with the financial sector, insurance companies, collective investment undertakings and their management companies, pension funds and their management companies, as applicable, commodity and commodity derivatives dealers, locals and other institutional investors;
b. Large undertakings meeting at least two of the following requirements:
i. Balance sheet total is ISK 1,847 million or higher;

ii. Net turnover is ISK 3,695 million or higher;

iii. Equity is ISK 185 million or higher.

Amounts under this item are base amounts tied to the exchange rate of the euro (EUR) on 3 January 2007 (ISK 92.37);

c. National and regional governments, central banks and international organisations, such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations;

d. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions;

e. Parties approved as professional clients on the basis of Article 24.

10. *Eligible counterparty:* Party falling under subparagraphs (a), (b) and (c) of the definition of a professional client.

11. *Retail client:* A client who is not a professional client.

12. *Public investment advice:* An analysis or information summary that directly or indirectly recommends the purchase or sale of financial instruments or suggests an investment strategy, concerning one or more financial instruments or their issuers, and is intended for the public or is likely to be made accessible to the public, e.g. if distributed to a large group of people.

13. *Accepted market practice:* A practice that can normally be expected to be followed on one or more financial markets and which the Icelandic Financial Supervisory Authority has recognised in the manner provided for in a regulation to be established on the basis of Article 118.

14. *Systematic internaliser:* A financial undertaking that, on an organised, frequent and systematic basis, deals on own account by executing client orders outside regulated markets and MTFs.

The Minister shall establish in a regulation[1)] further provisions regarding the definitions of the terms “financial instrument”, “investment advice” and “systematic internaliser”.

[1)] *Reg. 994/2007.*

Article 3 *Home state and host state in Iceland*

Iceland is the home state of an issuer having its registered office in Iceland if that party is an issuer of shares, or debt securities the denomination per unit of which is less than ISK 92,400, admitted to trading on a regulated market. Amounts under this paragraph are base amounts tied to the exchange rate of the euro (EUR) on 3 January 2007 (92.37).

Iceland is the home state of an issuer having its registered office in a country outside the European Economic Area (EEA) if the party in question is an issuer of shares, or debt securities the denomination per unit of which is less than ISK 92,400, admitted to trading on a regulated market and the issuer is obliged to submit a report annually in respect of the issuance to the Icelandic Financial Supervisory Authority, cf. Article 48.Amounts under this paragraph are base amounts tied to the exchange rate of the euro (EUR) on 3 January 2007 (92.37).

Iceland is the home state of an issuer in other cases than specified in paragraphs 1 and 2 if the party is an issuer of securities admitted to trading on a regulated market and the party elects Iceland as its home state.The issuer may elect Iceland as its home state only if its registered office is in Iceland or its securities have been admitted to trading on a regulated market in Iceland.The issuer's choice of Iceland as its home state under this paragraph shall remain valid for at least three years after the choice is made public, cf. paragraph 7, except if its securities cease to be traded on a regulated market sooner.

Iceland is the host state of an issuer if its securities have been admitted to trading on a regulated market in Iceland and Iceland is not its home state under paragraphs 1-3.

If Iceland is the issuer's home state, the issuer shall comply with the provisions of Chapters VII, VIII and IX of this Act even if its securities have only been admitted to trading on a regulated market in a state within the European Economic Area other than Iceland.

If the issuer may elect its home state under paragraph 3, its securities shall not be admitted to trading on a regulated market until it has elected one state within the European Economic Area as its home state.The provision of the first sentence does not apply to undertakings for collective investment in transferable securities and investment funds, as defined in the Act on undertakings for collective investment in transferable securities (UCITS) and investment funds, in the case of units in an undertaking for collective investment or issuers concerning money-market instruments with a maturity shorter than 12 months.

The issuer shall make public its choice of a home state pursuant to paragraph 3 in the same manner as specified in paragraph 1 of Article 62.

Chapter II. Investor protection and business conduct of financial undertakings

Article 4*Scope of the Chapter*

The provisions of this Chapter shall apply to financial undertakings authorised to trade in securities, subject to Article 25.

Article 5*Sound business practices*

Financial undertakings shall operate in accordance with proper and sound business procedures and practices in securities trading, with a view to ensuring the integrity of the financial market and client interests.

Article 6*Organisational structure of financial undertakings*

The organisational structure of a financial undertaking shall ensure continuous and regular business activities and services to clients. To this end a financial undertaking shall, *inter alia*, employ appropriate systems and procedures as well as possessing the necessary knowledge.

A financial undertaking shall have secure procedures for the management, accounting, internal controls and risk assessment of the company.

A financial undertaking shall establish rules and procedures ensuring compliance of the undertaking, its management, employees and tied agents with the laws and rules applying to its operations. In addition, a financial undertaking shall establish rules governing personal transactions in financial instruments by such persons.

Article 7*Outsourcing of operational functions*

A financial undertaking shall ensure that its outsourcing of important operational functions does not increase its operational risk. Such outsourcing may not be undertaken if it impairs internal controls or compliance. The financial undertaking shall remain fully responsible for outsourced operational functions.

Article 8*Conflicts of interest*

A financial undertaking shall take all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

A financial undertaking shall identify conflicts of interest:

1. Between itself on the one hand, including its employees, tied agents and parties subject to its control, and its clients on the other hand; and

2. Internally between its clients.

Where arrangements provided for in paragraph 1 are insufficient to ensure client interests with reasonable confidence, the financial undertaking shall disclose the nature and reasons for the conflicts of interest to the clients in question before any business transactions are carried out between a financial undertaking and a client.

Article 9*Written agreements, records and reporting*

A financial undertaking that provides a service in the field of securities transactions for a retail client shall enter into a written agreement with the client setting out, *inter alia*, the rights and obligations of the parties to the agreement. The provision of this paragraph does not apply to investment advice.

A financial undertaking shall also maintain a separate record of all agreements concluded with each of its clients that include provisions on rights and obligations in transactions between the parties. The rights and obligations of the parties may be incorporated by reference to rules of law or documents accessible to clients.

A financial undertaking shall send statements to its clients on the services that it provides to them. The statements shall include, where applicable, the costs associated with the services.

Article 10 *Records of services and preservation of data*

A financial undertaking shall keep a record of all services and transactions carried out by it in the field of securities trading. The records shall be sufficiently detailed to enable the financial undertaking to demonstrate its compliance with the law.

A financial undertaking shall preserve for at least five years data relating to all transactions in financial instruments that it performs, whether the transactions are on its own account or for clients. The data shall include, *inter alia*, information that is required to be provided on the basis of the Act on measures against money laundering and terrorist financing.

Article 11*Separation of clients' financial instruments and other assets*

A financial undertaking shall keep clients' financial instruments securely separated from its own assets. A financial undertaking may use a client's financial instruments on own account only with the client's written approval.

A financial undertaking shall also keep other client assets securely separated from the financial undertaking's assets. Client assets shall be kept in a separate account registered in the client's name.

Financial undertakings that do not constitute credit institutions on the basis of the Act on financial undertakings shall not use client funds in trading for their own account.

Article 12*Nominee registration*

A financial undertaking authorised to preserve financial instruments owned by its clients may apply to the Financial Supervisory Authority for permission to hold these in a separate account (nominee account) and accept payment on behalf of its clients from individual issuers of financial instruments, provided that the financial undertaking has explained to the client the legal effects thereof and the client has granted his approval. The financial undertaking shall keep a record of the holdings of each individual client under this Article.

In the event that a financial undertaking is sent into receivership or granted a moratorium on its debts, or the undertaking is wound up or comparable measures are taken, the client may, on the basis of the record provided for in paragraph 1, withdraw his financial instruments from the nominee account, provided that their ownership is not disputed.

Article 13*Endorsement of transfer*

A financial undertaking may transfer transferable financial instruments in a client's name provided it has been issued a written power of attorney to do so. The endorsement of a financial undertaking is not regarded as interrupting the order of endorsement even though the power of attorney is not attached to the transferable financial instrument, provided the endorsement mentions that the instrument is transferred in accordance with a power of attorney in its keeping. The financial undertaking shall preserve written powers of attorney for as long as any rights

attach to the instrument transferred in this manner. The purchaser of the instrument shall be provided with a copy of the power of attorney if the purchaser so requests.

A financial undertaking offering safekeeping of transferable financial instruments may preserve endorsements pursuant to paragraph 1 in a separate file while the instrument is in its custody, provided that such endorsements are entered on the instrument when it leaves the custody of the financial undertaking. A financial undertaking intending to exercise this authorisation shall obtain the consent of the Financial Supervisory Authority for the arrangement of custody and the information system intended for use.

A client that has granted a financial undertaking power of attorney as provided in paragraph 1 cannot make a claim on a transferee by invoking the financial undertaking's lack of authorisation, except in cases where the power of attorney was manifestly inadequate.

Article 14*Information provision to clients*

A financial undertaking shall provide its clients and others to whom it offers its services clear information on the financial undertaking itself, its services, the investment options offered to them and the risk involved in such investment. The information provided by a financial undertaking to its clients and others offered its services shall be clear and reasonable and shall not be misleading, enabling clients to make an informed investment decision.

A financial undertaking shall inform its clients and others offered its services in advance of the commission that it intends to charge for its service. Changes to this commission shall be notified to clients with a reasonable notice.

A financial undertaking shall have information accessible as to what legal remedies are available to its clients in the event of a dispute arising between a client and the financial undertaking.

In its advertisements and other promotional activities, a financial undertaking shall take due care to provide correct and detailed information on its activities and services and ensure that marketing materials are clearly separated from other communications.

Article 15*Information collection and recommendations relating to portfolio management and investment advice*

When providing investment advice or portfolio management services, a financial undertaking shall obtain the necessary information on the client's or prospective client's knowledge and experience of the type of securities trading in question, his financial situation and his investment objectives so as to enable the financial undertaking to recommend suitable securities transactions to the client.

If the financial undertaking does not obtain the information provided for in paragraph 1 or is unable to obtain such information, it shall not recommend any securities transaction to the client.

Financial undertakings shall not encourage their clients not to provide the information required to be obtained under this Article.

Article 16*Information collection and assessment regarding other securities transactions*

A financial undertaking providing securities transaction services other than those referred to in paragraph 1 of Article 15 shall request information on the client's or prospective client's experience in the field of securities transactions in question so as to enable the financial undertaking to assess whether the service or product envisaged is appropriate for the client.

Where a financial undertaking considers, on the basis of information received in accordance with paragraph 1, that the securities transactions are unsuitable for the client, the financial undertaking shall advise the client not to engage in the transactions, and may do so in a standardised format.

In cases where the client provides insufficient information or elects not to provide the information at all, a financial undertaking shall warn the client that such a decision will render it impossible to assess the suitability for the client of the transactions envisaged. Such warning may be provided in a standardised format.

A financial undertaking is not obliged to take the steps provided for in paragraph 1 when providing a service that consists only of execution or the reception and transmission of orders where all the following conditions are met:

a. The service concerns shares admitted to trading on a regulated market in the European Economic Area or in an equivalent market in a state outside the European Economic Area, money market instruments, bonds or other forms of securitised debt, excluding those bonds or securitised debt that embed a derivative, units in an undertaking for collective investment or other non-complex financial instruments;

b. The service is provided at the initiative of the client;

c. The client has been clearly informed that the financial undertaking is not required to assess the suitability of the instrument or service and that therefore the client will not benefit from the corresponding protection of the assessment – this warning may be provided in a standardised format;

d. The financial undertaking complies with its obligations under Article 8 regarding conflicts of interest.

Financial undertakings shall not encourage their clients not to provide the information required to be obtained under this Article.

Article 17*Information collection when service is provided through the medium of a third party*

A financial undertaking receiving an instruction to perform a securities transaction on behalf of a client through the medium of another financial undertaking may rely on client information

transmitted and recommendations provided to the client by the latter undertaking. The financial undertaking which mediates the instructions will remain responsible for the completeness and accuracy of the information transmitted.

Article 18 *Best execution*

A financial undertaking shall take all reasonable steps to obtain, when executing orders, the best possible result for their clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and any other consideration relevant. Nevertheless, whenever there is a specific instruction from the client, the order shall be executed following the specific instruction.

A financial undertaking shall take the necessary measures to meet its obligations under paragraph 1, *inter alia* by establishing an order execution policy. The order execution policy shall include, in respect of each class of instruments, information on the different venues where the financial undertaking executes its client orders and the factors affecting the choice of execution venue. It shall provide for order execution in those venues where the best possible result for clients can be expected on a consistent basis. A financial undertaking shall provide appropriate information to its clients on its execution policy and obtain their prior consent before executing orders.

Where the order execution policy under paragraph 2 provides for the possibility that client orders may be executed outside a regulated market or an MTF, the financial undertaking shall specifically inform its clients and obtain their consent. Consent may be obtained either in the form of a general agreement or in respect of individual transactions.

A financial undertaking shall monitor the effectiveness of its order execution arrangements and execution policy under paragraph 2 in order to identify and, where appropriate, correct any deficiencies. In particular, it shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for clients. A financial undertaking shall notify clients of any material changes to its order execution arrangements or execution policy under paragraph 2.

A financial undertaking shall be able to demonstrate to its clients, at their request, that it has executed their orders in accordance with the undertaking's execution policy pursuant to paragraph 2.

Article 19*Client order handling*

A financial undertaking shall implement procedures and arrangements which provide for the fair and expeditious execution of client orders, relative to other client orders or the trading interests of the financial undertaking. These procedures or arrangements shall allow for the execution of otherwise comparable orders in accordance with the time of their reception by the financial undertaking.

In the case of a client limit order which is not executed as soon as it is received owing to prevailing market conditions, the financial undertaking shall, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in an easily accessible manner. A financial undertaking may comply with this obligation by transmitting the client limit order to a regulated market or MTF. The Financial Supervisory Authority may grant exemptions from the obligation to make public a limit order that is large in scale.

Article 20*Tied agents*

A financial undertaking may appoint a tied agent through a written agreement for the purposes of promoting the services of the financial undertaking, receiving orders from clients and executing them, acting as intermediary for the sale of financial instruments and providing investment advice.

A tied agent may only serve one financial undertaking. A financial undertaking providing services through the medium of a tied agent shall remain fully and unconditionally responsible for any action or omission on the part of the tied agent when acting on behalf of the financial undertaking. Tied agents are required to disclose to clients the undertaking which they are representing. Tied agents shall not receive funds from clients.

Financial undertakings shall monitor the activities of their tied agents so as to ensure that they comply with the law. Financial undertakings shall promote sound and proper conduct of business on the part of their tied agents. A tied agent shall have passed an examination in securities trading. If a tied agent is a legal person, its managing director shall have passed an examination in securities trading.

A tied agent may act on behalf of a financial undertaking only if licensed to do so by the Financial Supervisory Authority. A financial undertaking intending to appoint a tied agent shall apply to the Financial Supervisory Authority for this purpose. The Financial Supervisory Authority shall establish further rules[1)] on what requirements tied agents should meet.

The Financial Supervisory Authority shall keep a record of tied agents, which shall be made public.

[1)] *Reg. 572/2008.*

Article 21*Categorisation of clients, etc.*

A financial undertaking shall categorise its clients into eligible counterparties, professional clients and retail clients. A financial undertaking shall inform its clients of the category to which they belong, their right to request to be categorised differently and the consequences thereof. A financial undertaking shall establish procedures for the categorisation of clients.

Professional clients are responsible for keeping financial undertakings informed about any change that could affect their categorisation as professional clients. Furthermore, financial undertakings that become aware that a client no longer fulfils the initial conditions that made him

eligible to be treated as a professional client are required to take appropriate action.

Article 22*Transactions executed with eligible counterparties*

Financial undertakings authorised to execute orders on behalf of clients, deal on own account or receive and transmit orders may engage in securities transactions with eligible counterparties without being required to comply with the obligations under Articles 9, 14, 15, 16 and 18 and paragraph 1 of Article 19.

When a financial undertaking enters into transactions with an eligible counterparty, the financial undertaking shall obtain consent from the client to being treated as an eligible counterparty. Such confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

Notwithstanding the provisions of this Article, an eligible counterparty may demand that the financial undertaking comply with the provisions of paragraph 1 in its transactions with the client.

Article 23*Increased protection for professional clients*

Professional clients may request to be treated as retail clients. Before a financial undertaking provides a service to a professional client, it must inform the party in question that it is treated as a professional client. The financial undertaking must also inform the client that the latter may request not to be treated as a professional client. Increased protection may be provided to professional clients only when a written agreement is concluded with the financial undertaking to the effect that the client in question will not be treated as a professional client. The agreement shall specify whether this applies in general or in respect of an individual transaction, service, financial instrument or product.

Article 24*Clients that may be treated as professionals on request*

Parties not treated as professional clients under subparagraphs (a)-(d) of point 9 of paragraph 1 of Article 2 may request that a financial undertaking treat them as professional clients. The financial undertaking shall assess the expertise, experience and knowledge of the client and whether these give reasonable assurance that the client is capable of making his own investment decisions and understands the risks involved. To be treated as a professional client pursuant to this Article, the client must satisfy at least two of the following criteria:

a. The client has carried out transactions, in significant size, on securities markets at an average frequency of at least ten per quarter over the previous four quarters;

b. The size of the client's securities portfolio exceeds ISK 46.2 million; this amount is a base amount tied to the exchange rate of the euro (EUR) on 3 January 2007 (ISK 92.37);

c. The client works or has worked in the financial market for at least one year in a position requiring knowledge of investments in securities.

In order for clients under paragraph 1 to request that they be afforded professional client treatment they must state in writing to the financial undertaking that they wish to be treated as a professional client, either generally or in respect of a particular transaction or type of transaction. The financial undertaking must give them a clear written warning of the legal protections and compensation rights they may lose, and the clients must state in writing, in a separate document, that they are aware of the consequences of losing such legal protections.

Article 25*Public investment advice and publication of statistics*

Any party presenting or issuing public investment advice must ensure that such information is presented fairly and meets the conditions of rules to be established by the Financial Supervisory Authority on the basis of Article 26.Also, any interest in or potential conflicts of interest of the party in question by reason of the financial instruments which the information concerns must be indicated.

Public bodies disseminating statistical information likely to affect financial markets significantly must present this information fairly and transparently.

Article 26*Regulation and rules of the Financial Supervisory Authority*

The Minister shall establish a regulation[1)] with further details on the implementation of this Chapter. The regulation shall include, *inter alia*, provisions on:

1. Sound business practices under Article 5;

2. Organisational structure of financial undertakings, including compliance, risk management, internal controls, management responsibility, complaints handling and personal transactions, under Article 6;

3. Outsourcing of operational functions under Article 7;

4. Conflicts of interest under Article 8;

5. Written agreements, records and reporting under Article 9;

6. Records of services and preservation of data under Article 10;

7. Preservation of financial instruments belonging to clients and use of clients' financial instruments under Article 11 and reports by auditors regarding such preservation;

8. Nominee registration, including the cancelling of authorisations to register financial instruments in a nominee account under paragraph 1 of Article 12, the identification of a nominee account, including information on the number of owners included in a nominee account, and disclosure to the Financial Supervisory Authority, e.g. the identification of the beneficial owners of nominee accounts;[2)]

9. Information provision to clients under Article 14;

10. Information collection and recommendations regarding portfolio management and investment advice under Article 15;

11. Information collection and assessment regarding other securities transactions under Article 16;

12. Best execution under Article 18;

13. Client order handling under Article 19;

14. Categorisation of clients, etc. under Article 21;

15. Transactions executed with eligible counterparties under Article 22;

16. Professional clients under Articles 23 and 24.

Rules pursuant to paragraph 1 shall take into account whether the financial undertaking is engaging in business with a professional client or retail client.

The Financial Supervisory Authority shall establish rules[3)] on public investment recommendations, including fair presentation and publication, identifying the parties making the investment recommendations or publishing them, interests and conflicts of interest and a definition of the concept of research.

[1)]Reg. 994/2007, reg. 995/2007. [2)]Reg. 706/2008. [3)]Reg. 1013/2007.

Chapter III. Transparency of transactions

Article 27*Scope of the Chapter*

The provisions of this Chapter shall apply to financial undertakings authorised to trade in securities.

Article 28*Obligation of systematic internalisers to make public quotes*

Systematic internalisers shall publish a firm quote in those shares admitted to trading on a regulated market for which they are systematic internalisers and for which there is a liquid market.In the case of shares for which there is not a liquid market, systematic internalisers shall disclose quotes to their clients on request.

The provisions of this Article apply to quotes up to standard market size. Systematic internalisers that only deal in sizes above standard market size shall not be subject to the provisions of this Article.

Article 29*Disclosure by financial undertakings of information on transactions*

A financial undertaking which, either on own account or on behalf of clients, concludes transactions outside a regulated market or MTF in shares admitted to trading on a regulated market must make public the price, volume and time of those transactions. This information shall be made public as close to real-time as possible, on a reasonable commercial basis, and in a manner rendering the information easily accessible to other market participants.

Article 30*Notification requirement regarding transactions*

A financial undertaking shall send a notification to the Financial Supervisory Authority on all transactions that it executes in financial instruments admitted to trading on a regulated market. Such notifications shall be communicated as promptly as possible, and no later than the close of the following working day. All such transactions shall be reported, whether they take place on a regulated market or outside such markets.

A notification on a transaction under paragraph 1 may be communicated in the following manner:

a. The financial undertaking itself or a third party on its behalf communicates the notification;

b. The notification is communicated through a notification system which the Financial Supervisory Authority has approved;

c. The regulated market or MTF where the transaction took place communicates the notification.

Article 31*Regulation*

The Minister shall establish a regulation[1)] detailing the implementation of this Chapter. The regulation shall include, *inter alia*, provisions on:

1. The disclosure obligation of systematic internalisers under Article 28;

2. Disclosure by financial undertakings concerning transactions under Article 29, including the obligation to make information public and the conditions for exemptions from this obligation;

3. The notification requirement regarding transactions under Article 30, including the obligation of the Financial Supervisory Authority to forward notifications regarding transactions to the competent authority in the Member State where the market for the financial instrument in question is most liquid, in addition to other requirements regarding notifications, their content and competent authorities' communications.

The Minister may also establish further provisions in a regulation on:

1. The obligations of systematic internalisers to make public bid and offer prices and the depth of trading interests at these prices for financial instruments other than shares for which they are systematic internalisers under Article 28;

2. The obligation of a financial undertaking to make public the price, volume and timing of transactions that take place outside a regulated market or MTF in financial instruments other than shares pursuant to Article 29;

3. That notifications from financial undertakings under Article 30 shall include information on the identification of their clients;

4. That the notification requirement for financial undertakings under Article 30 shall also apply to transactions in financial instruments relating to financial instruments that have been admitted to trading on a regulated market.

[1)] *Reg. 994/2007, reg. 191/2008.*

Chapter IV. Multilateral trading facilities (MTF)

Article 32*Scope of the Chapter*

The provisions of this Chapter apply to financial undertakings and stock exchanges authorised to operate a multilateral trading facility (MTF).

Article 33*Organisational structure of MTFs*

An MTF shall operate in accordance with proper and sound business conduct and practices in securities trading, with a view to ensuring the credibility of the financial market and client interests.

A financial undertaking or stock exchange operating an MTF is responsible for ensuring the sound and prudent operation of the regulated market.

A financial undertaking or stock exchange that operates an MTF shall:

1. Establish transparent and non-discretionary rules ensuring fair and orderly trading on the MTF, including objective criteria for the execution of orders;

2. Establish rules regarding the criteria that financial instruments must meet to be traded on the MTF;

3. Ensure that the MTF members have access to sufficient publicly available information to make investment decisions;

4. Establish rules on access to the market, which shall satisfy the criteria laid down in Article 34;

5. Inform its users of their respective responsibilities for the settlement of the transactions executed on the MTF, and put in place the necessary arrangements to ensure the efficient settlement of transactions.

Article 34*MTF membership*

To become a member of an MTF a party must:

1. Be well qualified for the purpose;

2. Have sufficient capacity to trade;

3. Satisfy criteria regarding organisational structure, where applicable;

4. Have sufficient funds to perform the actions which it is intended to perform.

Article 35*Monitoring of trading*

A financial undertaking or stock exchange operating an MTF shall monitor its users' compliance with laws, rules and resolutions applying to transactions on the MTF and maintain an appropriate transaction monitoring system.

Any suspicion or knowledge of a breach of laws, regulations or other rules applying to transactions on an MTF, or serious or repeated breaching of its rules, shall be reported to the Financial Supervisory Authority.

The authorities shall be provided with appropriate information and assistance without delay for the investigation and prosecution of suspected criminal conduct occurring on an MTF or through its market systems.

Article 36*Pre-trade transparency requirements*

A financial undertaking or stock exchange operating an MTF shall make public bid and offer prices and the depth of trading interests at these prices which are advertised on the MTF in respect of shares admitted to trading on a regulated market. The information shall be made available to the public on reasonable commercial terms and on a continuous basis during normal trading hours.

The Financial Supervisory Authority may grant exemptions from the obligation to make public bid and offer prices under paragraph 1 based on the market model of the MTF in question or the type and size of orders.

Article 37*Post-trade transparency requirements*

A financial undertaking or stock exchange operating an MTF shall make public the price, volume and time of the transactions executed under its systems in respect of shares admitted to trading on a regulated market. The information shall be made public on a reasonable commercial basis and as close to real-time as possible. This provision does not apply to details of trades that are made public under the systems of a regulated market.

A financial undertaking or stock exchange may establish rules on deferred publication of the details of transactions based on their type or size. The rules shall meet the conditions of the regulation provided for in Article 38 and be approved in advance by the Financial Supervisory Authority. The financial undertaking or stock exchange shall ensure that the members of the MTF and investors are informed of the deferred publication.

Article 38*Regulation*

The Minister shall establish a regulation[1)] detailing the implementation of this Chapter. The regulation shall include, *inter alia*, provisions on:

1. *The obligation to make public bid and offer prices and exemptions from that obligation under Article* 36;

2. Post-trade transparency requirements and deferred publication under Article 37;

The Minister may establish in a regulation further provisions on:

1. The obligations of a financial undertaking or stock exchange to make public bid and offer prices and the depth of trading interests advertised in an MTF in respect of financial instruments other than shares as provided in Article 36;

2. The obligation of a financial undertaking or stock exchange to make public the price, volume and time of transactions on an MTF in financial instruments other than shares under Article 37.

[1)]*Reg. 994/2007.*

Chapter V. Contractual settlement of derivatives

Article 39*Scope of the Chapter*

The provisions of this Chapter shall apply to netting and guarantee rights in connection with derivatives.

Article 40*Netting*

One or more written agreements between two parties providing for their obligations under a derivative contract to be offset through netting upon renewal or default, a moratorium being obtained, composition with creditors or bankruptcy shall remain fully valid, notwithstanding the provisions of Articles 91 and 100 of the Act on Bankruptcy, etc.

Article 41*Collateral rights*

Rights to collateral pledged to secure derivative transactions are not cancellable notwithstanding the provisions of Article 137 of the Act on bankruptcy, etc.

Chapter VI. Offerings and admission to trading of securities

Article 42*Scope of the Chapter*

The provisions of this Chapter apply to public offerings of securities and the admission of securities to trading on a regulated market.

The provisions of this Chapter do not apply to:

1. Collective investment undertakings intended exclusively to accept funds from members of the public for collective investment in financial instruments and other assets on the basis of diversifying risk in accordance with a previously stated investment strategy which issue units in an undertaking for collective investment or shares that are redeemable at the request of the owners of the undertaking's assets;

2. Non-equity securities issued by a Member State of the European Economic Area, regional or local authorities in the European Economic Area, international organisations of which one or more of the Member States are members, the European Central Bank or central banks of the Member States;

3. Central banks in the European Economic Area;

4. Securities unconditionally and irrevocably guaranteed by a Member State of the European Economic Area, or regional or local authorities in the European Economic Area;

5. Securities issued by non-profit legal persons for the purpose of raising funds to advance their objectives where the securities are not subject to the financial situation of the legal person itself;

6. Non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:

a. Are not subordinated, convertible or exchangeable;

b. Do not give a right to subscribe to or acquire other types of securities and are not linked to a derivative instrument;

c. Materialise reception of repayable deposits;

d. Are covered by the Act on deposit guarantees and an investor compensation scheme;

7. A securities offering of less than ISK 210 million, subject to Article 54 of this Act; the total amount of the offering shall be calculated over a 12-month period;

8. Non-equity securities issued in a continuous or repeated manner by credit institutions where the total amount of the offering is less than ISK 4.2 billion, calculated over a 12-month period, provided that these securities:

a. Are not subordinated, convertible or exchangeable;

b. Do not give a right to subscribe to or acquire other types of securities and are not linked to a derivative instrument;

An issuer, offeror or party seeking admission of securities on a regulated market falling under the provisions of points 2, 4, 6, 7 or 8 of paragraph 2 may prepare a prospectus in accordance with this Chapter.

Amounts in this Chapter are based on the exchange rate of the euro (EUR) on 4 January 2005 (ISK 83.54).

Article 43 *Definitions*

1. *Public offering of securities:* A "public offering of securities," whether on the primary or secondary market, shall mean any type of offer to the general public, in any form and by any means, to purchase securities, presenting sufficient information on the terms of the offering and the securities offered for sale, so as to enable an investor to decide to purchase or subscribe to such securities.This definition shall also apply to the placing of securities through financial intermediaries.

2. *Prospectus:* A collective term for the document or documents which must be issued as part of a public offering of securities or the admission of securities to trading on a regulated market.

3. *Base prospectus:* A prospectus containing all necessary information on an issuer and the securities offered to the public or to be admitted to trading on a regulated market and, at the choice of the issuer, the final terms of the offering.

4. *Registration document:* When a prospectus is issued as three separate documents, that portion of the prospectus which provides information on the issuer.

5. *Securities note:* When a prospectus is issued as three separate documents, that portion of the prospectus which provides information on the securities themselves.

6. *Summary:* That portion of a prospectus providing information on the principal characteristics and risks associated with the issuer, the manager of the offering and the securities themselves.The summary shall be written in a concise and clear manner.

7. *Equity securities:* Shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that the securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the issuer.

8. *Offering programme:* A plan which would permit the issuance of non-equity securities, including warrants in any form, having a similar type and/or class, in a continuous or repeated manner during a specified issuing period.

9. *Qualified investors:*

a. Legal persons in Iceland or abroad licensed to operate or engage in regulated activities in financial markets, including financial undertakings and businesses connected with the financial sector, insurance companies, collective investment undertakings and their management companies, pension funds and their management companies, as applicable, and commodity dealers;

b. Legal persons neither licensed to operate nor engaged in regulated activities in financial markets whose purpose is solely to invest in securities;

c. National and regional governments, central banks and international organisations, such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations;

d. Other legal persons which do not meet two of the three criteria set out in paragraph (f);

e. Natural persons resident in Iceland who request in writing to the Financial Supervisory Authority to be treated as qualified investors and meet at least two of the following three criteria:

i. The investor has carried out transactions of a significant size on securities markets at an average frequency of at least 10 per quarter over the previous four quarters;

ii. The size of the investor's securities portfolio exceeds ISK 41.8 million;

iii. The investor works or has worked in the financial market for at least one year in a position requiring knowledge of securities investment;

f. Small and medium-sized enterprises having their registered office in Iceland that request in writing to the Financial Supervisory Authority to be treated as qualified investors."Small and medium-sized enterprises" means companies which, according to their last annual or consolidated accounts, meet at least two of the following three criteria:

i. An average number of employees during the financial year of less than 250;

ii. A total balance sheet not exceeding ISK 3.6 billion;

iii. An annual net turnover not exceeding ISK 4.2 billion.

Article 44*Requirements for a public offering of securities and admission to trading of securities*

A public offering of securities may only be made following the publication of a prospectus in accordance with the provisions of this Act.

The admission of securities to trading on a regulated market is subject to the publication of a prospectus in accordance with the provisions of this Act.

Article 45*Information in the prospectus*

A prospectus shall contain all information which, according to the particular nature of the issuer and of the securities, is necessary to enable investors to assess the assets and liabilities, financial position, performance and prospects of the issuer and any guarantor, as appropriate, as well as the rights attaching to the securities. The information must be presented clearly and comprehensively.

In addition to information on the issuer and its securities, the prospectus must include a short and concise summary conveying the essential characteristics of, and risks associated with, the issuer, any guarantor and the securities themselves.

In the case of non-equity securities to be admitted to trading on a regulated market which are issued in units of at least ISK 4.2 million, the obligation to prepare a summary does not apply.

The Financial Supervisory Authority may grant exemptions from the obligation to publish specific information in a prospectus as referred to in this Act on the following grounds:

a. Disclosure of such information would be contrary to the public interest;

b. Disclosure of such information would be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer, offeror or any guarantor and of the rights attaching to the securities to which the prospectus relates;

c. Such information is of minor importance for a specific offering or admission to trading on a regulated market and is not such as will influence the assessment of the financial position and prospects of the issuer, offeror or any guarantor.

A prospectus may be published either as a single document or as three separate documents. A prospectus comprising three documents consist of:

a. A registration document;

b. A securities note; and

c. A summary.

In the following cases an issuer, offeror or party requesting admission to trading on a regulated market may prepare a base prospectus:

a. In the case of non-equity securities, including warrants in any form, issued under an offering programme;

b. When non-equity securities are issued in a continuous or repeated manner by credit institutions and meet the following criteria:

i. The value of the securities issue is, under national legislation, placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date;

ii. The value of the securities is primarily intended to repay the capital and interest falling due in the event of a financial undertaking becoming insolvent, cf., however, Chapter XII of the Act on financial undertakings.

A supplement to the base prospectus shall be issued if considered necessary, cf. the provisions of Article 46.The supplement shall contain updated information on the issuer and the securities offered to the public or to be admitted to trading on a regulated market.

If the final terms of the offering are not included in either the base prospectus or a supplement to it, the final terms shall be provided to investors and filed with the Financial Supervisory Authority when each public offering is made. This must be effected as soon as practicable and if possible in advance of the beginning of the offering.

Article 46*Supplements to the prospectus*

If significant new information, material mistakes or inaccuracy relating to information in a prospectus which could affect the assessment of the securities is discovered between the time the prospectus was approved, cf. Article 52, and the final closing of the offering or, if applicable, the time when trading on a regulated market begins, a supplement to the prospectus shall be prepared mentioning the details in question. The supplement shall be approved within seven working days and published in the same manner as the original prospectus. The summary and any translations thereof shall also be supplemented if necessary to take into account the new information included in the supplement.

Investors who have already agreed to purchase or subscribe for the securities before the supplement is published shall have the right to withdraw their acceptances for at least two working days following the publication of the supplement.

Article 47*Time of validity of a prospectus, base prospectus and registration document*

A prospectus shall remain valid for 12 months after its publication for public offerings or admission to trading on a regulated market, provided that the prospectus includes any supplementary information required under Article 46.

In the case of an offering programme, the base prospectus previously filed with the Financial Supervisory Authority shall remain valid for up to 12 months.

In the case of non-equity securities of the type referred to in sub-paragraph (b) of paragraph 6 of Article 45, the prospectus shall remain valid until no more of the securities concerned are issued in a continuous or repeated manner.

A registration document, as referred to in paragraph 5 of Article 45, previously filed with the Financial Supervisory Authority shall remain valid for a period of up to 12 months, provided that it has been updated in accordance with the provisions of paragraph 1 of Article 46. The registration document accompanied by the securities note, updated if applicable in accordance with Article 49, and the summary shall be considered to constitute a valid prospectus.

Article 48*Annual information disclosure*

Issuers whose securities have been admitted to trading on a regulated market and whose home state is Iceland must at least annually provide a document containing or referring to all information that they have published or made available to the public over the preceding 12 months in the European Economic Area and states outside the European Economic Area in compliance with the issuer's obligations pursuant to legislation and regulations on securities, securities issuers and regulated markets. The document must be filed with the Financial Supervisory Authority following publication of the annual financial reports. If the document refers to additional information it must be stated where this information can be obtained.

The provisions of paragraph 1 shall not apply in the case of issuers of non-equity securities in units amounting to ISK 4.2 million or more.

Article 49 *Prospectuses consisting of three documents*

An issuer that already has available a registration document approved by a competent authority in the European Economic Area need only prepare a securities note and summary when securities are offered to the public or admitted to trading on a regulated market. In such case the information which generally would be provided in the registration document must be included in the securities note if there has been a material change or recent development that could affect investors' assessment since the latest updated registration document, or a supplement to it, was approved, cf. Article 46. The securities note and summary shall be approved separately.

If an issuer has only filed an unapproved registration document, all the documentation, including updated information, shall be subject to approval.

Article 50*Exemption from the obligation to publish a prospectus*

The following shall be exempt from the provisions of Article 44:

1. Offerings to which one or more of the following apply:

a. The securities are offered exclusively to qualified investors;

b. The securities are offered to fewer than 100 non-qualified investors per Member State of the European Economic Area;

c. Each investor contributes at least ISK 4.2 million to purchase securities in each offering;

d. The securities issued have a nominal value of at least ISK 4.2 million per unit;

e. The estimated total selling price of the securities is less than ISK 8.4 million, with the calculation of that limit based on a 12-months period;

If securities are placed and/or sold through the intermediation of a financial undertaking and the exemption provisions in paragraphs (a) to (e) of this point do not apply, a prospectus must be published.

2. Public offerings of securities of the following types:

a. Shares issued in substitution for previously issued shares of the same class, if the issuance of such new shares does not result in any increase of the issued capital;

b. Securities offered in connection with a takeover, provided that a document regarded by the Financial Supervisory Authority as equivalent to a prospectus is available;

c. Securities offered, allotted or to be allotted in connection with a merger, provided that a document regarded by the Financial Supervisory Authority as equivalent to a prospectus is available;

d. Shares offered, allotted or to be allotted free of charge to existing shareholders and dividends paid out in the form of shares, provided that the shares are of the same class as the shares in respect of which dividends are paid; a document must be available containing information on the number and nature of the aforementioned shares and the reasons for and details of the offer;

e. Securities offered, allotted or to be allotted to current or former employees or directors of the companies by their employer or by an affiliated undertaking, provided that the securities offered are in the same class as the securities already admitted to trading on a regulated market; a document must be available containing information on the number and nature of the aforementioned securities and the reasons for and details of the offer;

3. Admission to trading of the following types of securities:

a. Shares representing, over a period of 12 months, less than 10% of the number of shares of the same class already admitted to trading on a regulated market;

b. Shares issued in substitution for previously issued shares of the same class already admitted to trading on the same regulated market, if the issuing of such new shares does not result in any increase in the issued capital;

c. Securities offered in connection with a takeover, provided that a document regarded by the Financial Supervisory Authority as equivalent to a prospectus is available;

d. Securities offered, allotted or to be allotted in connection with a merger, provided that a document regarded by the Financial Supervisory Authority as equivalent to a prospectus is available;

e. Shares offered, allotted or to be allotted free of charge to existing shareholders and dividends paid out in the form of shares, provided that the shares are of the same class as those shares in respect of which such dividends are paid and already admitted to trading on the same regulated market; a document must be available containing information on the number and nature of the aforementioned shares and the reasons for and details of the offer;

f. Securities offered, allotted or to be allotted to existing or former employees or directors of the undertakings by their employer or an affiliated undertaking, provided that the said securities are of the same class as the securities already admitted to trading on the regulated market; a document must be available containing information on the number and the nature of the securities and the reasons for and details of the offer;

g. Shares resulting from the conversion or exchange of other securities or from the exercise of subscription rights to other securities, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market;

h. Securities already admitted to trading on another regulated market which meet the following conditions:

i. That these securities, or securities of the same class, have been admitted to trading on that other regulated market for at least 18 months;

ii. That, for securities first admitted to trading on a regulated market after the date of entry into force of this Act, the admission to trading on that other regulated market was associated with an approved prospectus made available to the public in conformity with rules comparable to those in this Act and the regulation provided for in Article 54;

iii. That, except where (ii) applies, for securities first admitted to listing after 30 June 1983, an approved prospectus was made available in accordance with the rules then in effect;

iv. That the ongoing obligations for trading on the regulated market in question have been fulfilled;

v. That the party seeking the admission of a security to trading on a regulated market under this exemption makes a summary document available to the public;

vi. That the summary document referred to in (v) is made available to the public in the manner set out in the regulation on prospectuses; and

vii. That the contents of the summary document comply with certain conditions regarding the content of such summaries as laid down in this Act and the provisions of the regulation on prospectuses; furthermore the document shall state where the most recent prospectus regarding the securities can be obtained and where the financial information published by the issuer pursuant to his ongoing disclosure obligations is available.

Article 51*Underwriting*

"Underwriting" shall mean an agreement between a financial undertaking and an issuer or holder of securities whereby the financial undertaking obliges itself to purchase, within a specified time limit and for a specific price, that portion of the securities not subscribed for in a public offering of securities.

Where a financial undertaking agrees to underwrite a public offering of securities, it shall be considered to have guaranteed only that sufficient subscription will be obtained so that the offering is successful, unless otherwise expressly agreed upon.

Article 52*Management of a public offering of securities and prospectus approval*

A financial undertaking duly authorised for the purpose by its operating licence must manage a public offering of securities and their admission to trading on a regulated market.

The Financial Supervisory Authority shall oversee the approval of prospectuses. The Financial Supervisory Authority may by agreement appoint a regulated market to handle prospectus approval, cf. Article 138.Such an agreement shall state what tasks are entrusted to the regulated market and the conditions for their performance.

Compensation for prospectus approval shall be decided by the Financial Supervisory Authority or regulated market in question, in accordance with paragraph 2.

Article 53*Qualified investors*

The Financial Supervisory Authority shall keep a record of those natural persons and small and medium-sized enterprises which it has recognised as qualified investors, cf. paragraph (f) of point 9 of Article 43.The record shall be accessible to securities issuers.

Natural persons and small and medium-sized enterprises registered as qualified investors with the Financial Supervisory Authority may request to be removed from the record at any given time.
Natural persons and small and medium-sized enterprises registered as qualified investors with a

competent authority in the European Economic Area shall also be treated as qualified investors in Iceland.

Article 54*Regulation*

The Minister shall establish a regulation detailing the implementation of this Chapter. The regulation shall include, *inter alia*, provisions on:

1. A more detailed definition of qualified investors;

2. Obligations of holders of shares to provide a stock exchange with information, and when exemptions may be granted from the disclosure requirement;

3. The offering and admission to trading of securities, including a provision on the events preceding the issuing of a prospectus;

4. The offer period;

5. The contents and information to be included in a prospectus;

6. Information to be incorporated in the prospectus by reference;

7. Approval of the prospectus;

8. Arrangements for publication of the prospectus;

9. On-going disclosure obligations;

10. The powers of the Financial Supervisory Authority to grant exemptions from publishing certain information in a prospectus or from publishing any prospectus at all;

11. Advertisements of offerings and admission to trading of securities;

12. Supplements and approval of a prospectus;

13. Languages used in prospectuses;

14. Definition of a home state under this Chapter;

15. Offers of securities with a value between ISK 8.4 million and ISK 210 million.

In other respects, the Minister may establish provisions in a regulation[1)] which accord with the provisions of Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and its implementing directive.

[1)]*Reg. 243/2006, cf. 169/2007 and 324/2008.*

Chapter VII. Periodic information requirements for issuers

Article 55*Scope*

The provisions of this Chapter apply to the issuers of securities that have been admitted to trading on a regulated market, with Iceland as the home state pursuant to Article 3.

An issuer of securities admitted to trading on a regulated market in Iceland, having its home state in a country within the European Economic Area other than Iceland, shall provide periodic information equivalent to that provided for in this Chapter in accordance with the binding administrative provisions of its home state.

Article 56*Exemptions*

The provisions of this Chapter do not apply to Member States of the European Economic Area, regional or local authorities in Member States, public international bodies of which at least one Member State is a member, Member States' national central banks or the European Central Bank.

The provisions of this Chapter do not apply to an issuer exclusively of debt securities admitted to trading on a regulated market, the denomination per unit of which is at least ISK 4.6 million. Amounts under this paragraph are base amounts tied to the exchange rate of the euro (EUR) on 3 January 2007 (92.37).

The provisions of this Chapter do not apply to undertakings for collective investment in transferable securities or investment funds under the Act on undertakings for collective investment in securities (UCITS) and investment funds in the case of units in an undertaking for collective investment.

The provisions of this Chapter do not apply to issuers in relation to money-market instruments having a maturity of less than 12 months.

The provision of Article 58 does not apply to an issuer already present on a regulated market on 31 December 2003 which exclusively issues debt securities unconditionally and irrevocably guaranteed by the issuer's home state or by one its regional or local authorities.

Article 57*Annual financial reports*

An issuer of securities shall make public its annual financial report, or consolidated accounts if applicable, as soon as possible after the end of each financial year, at the latest four months after its end. The issuer shall ensure that the annual financial report, or consolidated accounts if applicable, remains publicly available for at least five years.

Article 58*Half-yearly financial reports*

An issuer of shares and/or debt securities shall make public a half-yearly financial report covering the first six months of the financial year, or consolidated accounts for the first six months of the financial year if applicable, as soon as possible after the end of the relevant period, but at the latest two months thereafter. The issuer shall ensure that the half-yearly financial report, or consolidated accounts if applicable, remains publicly available for at least five years.

Article 59*Management statements*

An issuer of shares shall make public a statement by its management during the first six-month period of the financial year and another such statement during the second six-month period of the financial year. The management statement shall provide an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer, and its controlled undertakings if applicable, and a general description of the financial position and performance of the issuer, and its controlled undertakings if applicable, during the relevant period.

The statement shall be published in a period between ten weeks after the beginning and six weeks before the end of the relevant six-month period, and shall contain information covering the period between the beginning of the relevant six-month period and the date of publication of the statement.

Issuers who, under either national legislation or the rules of the regulated market or of their own initiative, publish interim financial reports for the first three and first nine months of the financial year, or consolidated accounts for the same periods if applicable, in accordance with the provisions of the Annual Accounts Act, shall not be required to make public a statement by the issuer's management.

Article 60*Contents of annual and interim financial reports*

Securities issuers having their registered office in Iceland shall prepare an annual financial report, or consolidated accounts if applicable, and an interim report for the first six months of the financial year, or consolidated accounts for the first six months of the financial year if applicable, in accordance with the Annual Accounts Act.

Article 61*Issuer whose registered office is in a state outside the European Economic Area*
An issuer having its registered office in a country outside the European Economic Area may prepare an annual financial report, or consolidated accounts if applicable, an interim report for the first six months of the financial year, or consolidated accounts for the first six months of the financial year if applicable, and a management report in accordance with binding administrative provisions in the state in which the issuer has its registered office if the provisions are equivalent to the provisions of the Annual Accounts Act. The issuer may also follow the binding administrative provisions in the state where it has its registered office as regards interim financial reports for the first three and first nine months of the financial year, or consolidated accounts for the same periods if applicable, if the instructions are equivalent to the Icelandic rules governing the corresponding interim financial reports which would apply to the issuer if its registered office were in Iceland.

If the official binding instructions of the state where the issuer has its registered office are not equivalent to the provisions of the Annual Accounts Act, the issuer shall prepare an annual financial report, or consolidated accounts if applicable, an interim financial report for the first six months of the financial year, or consolidated accounts for the first six months of the financial year if applicable, and a management report in the same manner as equivalent issuers having their registered office in Iceland.

The Register of Annual Accounts shall assess whether the requirements under the provisions applying in a state outside the European Economic Area are equivalent to the provisions of the Annual Accounts Act.

Article 62*Publication and responsibility*

An issuer shall make public in the European Economic Area information pursuant to this Chapter as soon as possible on a non-discriminatory basis. Concurrently with the publication the issuer shall send the information to the Financial Supervisory Authority.

The Financial Supervisory Authority may publish on its website any information that has been made public.

The issuer is responsible for ensuring that information under Articles 57-59 is compiled and made public.

Article 63*Central storage*

An issuer shall send all information that has been made public pursuant to this Chapter concurrently to the Financial Supervisory Authority, or a party appointed by the Financial Supervisory Authority, for central storage, as provided in Article 136 of this Act.

Article 64*Languages*

Where an issuer's securities have been admitted to trading on a regulated market only in Iceland, the issuer shall disclose information pursuant to this Chapter in Icelandic or any other language accepted by the Financial Supervisory Authority.

Where an issuer's securities have been admitted to trading on a regulated market in Iceland and in one or more Member States of the European Economic Area, the issuer shall disclose information under this Chapter in Icelandic, or any other language accepted by the Financial Supervisory Authority, and either in English or in any other language accepted by the competent authorities in the host states, at the choice of the issuer.

Where an issuer's securities are admitted to trading on a regulated market in one or more states within the European Economic Area but not in Iceland, the issuer shall disclose information pursuant to this Chapter either in English or any other language accepted by the competent authorities in the host states, at the choice of the issuer. If the Financial Supervisory Authority so

requests, the issuer shall also disclose the information in English or any other language accepted by the Financial Supervisory Authority, at the choice of the issuer.

Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraphs 1-3 shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.

Article 65*Regulation*

The Minister may establish further provisions regarding this Chapter in a regulation,[1)] including the manner in which annual financial reports and interim financial reports shall be made accessible to the public, cf. Articles 57 and 58, which requirements under the provisions applying in states outside the European Economic Area are equivalent to the provisions of the Annual Accounts Act, cf. Article 61, and the conduct of public disclosure, cf. Article 62.

[1)]*Reg. 707/2008.*

Chapter VIII. Other information requirements for issuers

Article 66*Scope*

The provisions of this Chapter apply to the issuers of securities that have been admitted to trading on a regulated market, with Iceland as the home state pursuant to Article 3.

An issuer of securities admitted to trading on a regulated market in Iceland whose home state is within the European Economic Area but not in Iceland shall provide equivalent information as provided in this Chapter in accordance with the binding administrative provisions of its home state.

Article 67*Exemptions*

The provisions of this Chapter do not apply to undertakings for collective investment in transferable securities or investment funds under the Act on undertakings for collective investment in securities (UCITS) and investment funds in the case of units in an undertaking for collective investment.

The provisions of this Chapter do not apply to issuers in relation to money-market instruments having a maturity of less than 12 months.

Article 68*Additional information*

An issuer of securities shall without delay after new loan issues make public the issues and, in particular, any guarantee or security in respect thereof. However, the provision of the first sentence shall not apply to Member States of the European Economic Area, municipalities or

comparable regional or local authorities in the European Economic Area or public international bodies of which at least one Member State is a member.

An issuer of securities, other than shares admitted to trading on a regulated market, shall make public without delay any changes in the rights of holders of the securities other than shares, including changes in the terms and conditions of these securities which could indirectly affect those rights, resulting in particular from a change in loan terms or in interest rates.

An issuer of shares shall make public without delay any change in the rights attaching to the various classes of shares, including changes in the rights attached to derivative securities issued by the issuer itself and giving access to the shares of that issuer.

The issuer is responsible for ensuring that information under paragraphs 1-3 is compiled and made public.

Article 69*Amendments to memorandum of association or articles of association*

Where an issuer proposes to amend its memorandum of association or articles of association, it shall communicate the draft amendment to the Financial Supervisory Authority and regulated market to which its securities have been admitted to trading. Such communication shall be effected without delay, but at the latest on the date of calling the meeting which is to vote on, or be informed of, the amendments.

Article 70*Shares*

An issuer of shares shall ensure equal treatment for all holders of shares that are in the same position.
An issuer of shares shall not prevent holders of shares from exercising their rights by proxy.However, the provision of the first sentence shall not apply if the issuer of shares has its registered office in a state other than Iceland unless binding administrative provisions in that state authorise the use of proxies.

An issuer of shares shall ensure that all information necessary to enable holders of shares to exercise their rights are available in the home state of the issuer and that the integrity of the data is preserved.In particular, the issuer shall:

1. Provide information on the place, time and agenda of meetings, the total number of shares and voting rights and the rights of holders to participate in meetings;

2. Make available a proxy form, on paper or, where applicable, by electronic means, to each person entitled to vote at a shareholders' meeting, together with the notice concerning the meeting or, on request, after an announcement of the meeting;

3. Designate as its agent a financial institution, or an undertaking connected with the financial sector, through which shareholders may exercise their financial rights with respect to the issuer; and

4. Publish notices or distribute circulars concerning the allocation and payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

Article 71*Debt securities*

Under this Article a "debt security" shall mean a bond or other forms of transferable securitised debts, with the exception of, on the one hand, securities which are equivalent to shares in companies or which, if converted or if the rights conferred by them are exercised, give rise to a right to acquire shares or securities equivalent to shares and, on the other hand, money-market instruments with a maturity of less than 12 months.

An issuer of debt securities shall ensure that all holders of debt securities ranking pari passu are given equal treatment in respect of all the rights attaching to those debt securities.

An issuer of debt securities shall not prevent debt securities holders from exercising their rights by proxy. However, the provision of the first sentence shall not apply if the issuer of debt securities has its registered office in a state other than Iceland unless binding administrative provisions in that state authorise the use of proxies.

If an issuer of debt securities decides to hold a meeting with the holders of the debt securities, the issuer shall provide them with information, e.g. through an advertisement or a circular, specifying the place, time and agenda of the meeting together with information regarding which requirements the holders must meet to be eligible for participation in the meeting. The issuer shall also make available a proxy form, on paper or, where applicable, by electronic means, to each person entitled to vote at the meeting, together with the meeting notice or, on request, after an announcement of the meeting.

An issuer of debt securities shall, e.g. through an advertisement or a circular, inform the debt securities holders of the payment of interest, the exercise of any conversion, exchange, subscription or cancellation of rights and payment.

The issuer of debt securities shall designate as its agent a financial institution, or an undertaking connected with the financial sector, through which debt securities holders may exercise their financial rights under the debt securities.

The provisions of this Article do not apply to debt securities issued by Member States of the European Economic Area or a municipality or comparable regional or local authorities in the European Economic Area.

Article 72*Issuer whose registered office is in a state outside the European Economic Area*

An issuer of shares having its registered office in a state outside the European Economic Area may be exempted from the provisions of Article 70 if that issuer meets the requirements of binding administrative provisions in the state of its registered office which are equivalent to Article 70.

An issuer of debt securities having its registered office in a state outside the European Economic Area may be exempted from the provisions of Article 71 if that issuer meets the requirements of binding administrative provisions in the state of its registered office which are equivalent to Article 71.

The Financial Supervisory Authority shall assess whether requirements under the binding administrative provisions of a state outside the European Economic Area are equivalent to Articles 70 and 71.

Article 73*Publication*

An issuer of securities shall make public in the European Economic Area information pursuant to this Chapter as soon as possible on a non-discriminatory basis. Concurrently with the publication the issuer shall send the information to the Financial Supervisory Authority.

The Financial Supervisory Authority may publish on its website any information that has been made public.

Article 74*Central storage*

An issuer of securities shall send all information that has been made public pursuant to this Chapter to the Financial Supervisory Authority, or a party appointed by the Financial Supervisory Authority, for central storage, as provided in Article 136.

Article 75*Languages*

Where an issuer's securities have been admitted to trading on a regulated market only in Iceland, the issuer shall disclose information pursuant to this Chapter in Icelandic or any other language accepted by the Financial Supervisory Authority.

Where an issuer's securities have been admitted to trading on a regulated market in Iceland and in one or more other Member States of the European Economic Area, the issuer shall disclose information under this Chapter in Icelandic, or any other language accepted by the Financial Supervisory Authority, and either in English or in any other language accepted by the competent authorities in the host states, at the choice of the issuer.

Where an issuer's securities have been admitted to trading on a regulated market in one or more host states, but not in Iceland, information under this Chapter shall be disclosed either in English or any other language accepted by the competent authorities in the host states, at the choice of the issuer. If the Financial Supervisory Authority so requests, the issuer shall also disclose the information in English or any other language accepted by the Financial Supervisory Authority, at the choice of the issuer.

Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraphs 1-3 shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.

By way of derogation from paragraphs 1-4, where securities whose denomination per unit amounts to at least ISK 4.6 million or, in the case of debt securities whose denomination per unit amounts to the equivalent of at least ISK 4.6 million at the date of the issue, are admitted to trading on a regulated market, the issuer may disclose information under this Chapter in English or in a language accepted by the competent authorities of the home and host states, at the choice of the issuer or of the person who, without the issuer's consent, has requested such admission. Amounts under this paragraph are base amounts tied to the exchange rate of the euro (EUR) on 3 January 2007 (92.37).

Article 76*Regulation*

The Minister may establish further provisions regarding this Chapter in a regulation,[1)] including as regards financial institutions through which shareholders or holders of debt securities may exercise their financial rights with respect to the issuer, cf. Articles 70 and 71, exemptions under Article 72 and publication under Article 73.

[1)]*Reg. 707/2008.*

Chapter IX.Changes in significant proportions of voting rights

Article 77*Scope*

The provisions of this Chapter apply to shares in limited liability companies having their registered office in Iceland which issue shares that have been admitted to trading on a regulated market.

The provisions of this Chapter also apply to shares an issuer having its registered office in a state outside the European Economic Area which issues shares that have been admitted to trading on a regulated market in a Member State of the European Economic Area if that issuer is under obligation to submit a report annually regarding the shares to the Financial Supervisory Authority under Article 48 of this Act.

If the shares of an issuer having its registered office in a Member State of the European Economic Area other than Iceland have been admitted to trading on a regulated market, information equivalent to that specified in this Chapter shall be provided in accordance with the binding administrative provisions of the home state of the issuer.

Article 78*Notification requirement*

Where a holder of shares acquires or disposes of shares of an issuer whose shares have been admitted to trading on a regulated market, a notification shall be sent in a verifiable manner to the issuer in question and to the Financial Supervisory Authority if, as a result of the acquisition or disposal, the proportion of voting rights of the holder of shares reaches, exceeds or falls below

the thresholds of:5, 10, 15, 20, 25, 30, 35, 40, 50, 66 $^{2}/3$ and 90%."Holder of shares" shall mean any natural or legal person directly or indirectly holding:

1. Shares in the issuer in its own name and on its own account;

2. Shares in the issuer in its own name but on behalf of another natural person or legal person; or

3. Depository receipts, in which case the holder of the depository receipt shall be considered as the holder of the underlying shares represented by the depository receipt.

If an issuer increases or reduces its share capital or the number of voting rights, or a change in the proportion of voting rights results in those of the owner reaching, exceeding or falling below any of the thresholds listed in paragraph 1, the owner shall send a notification to the issuer in question and to the Financial Supervisory Authority.

The voting rights under paragraph 1 shall be calculated on the basis of all the shares to which voting rights are attached, even if the exercise of the rights is suspended. The voting rights shall also be calculated on the basis of all the shares in the same class to which voting rights are attached, even if the exercise of the rights is suspended.

Article 79*Notification requirement in special circumstances*

The notification requirement under Article 78 shall also apply to a natural or legal person to the extent that such person is entitled to acquire, dispose of, or exercise voting rights which:

1. Are held by a third party with whom that natural or legal person has concluded an agreement which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question;

2. Are held temporarily for consideration by a third party under an agreement concluded with that natural or legal person;

3. Are attached to shares lodged as collateral with that natural or legal person, provided that the natural or legal person in question also controls the voting rights and declares its intention of exercising them;

4. Are attached to shares in which that natural or legal person has a life interest on the basis of an agreement to that effect;

5. Are held, or may be exercised on the basis of points 1-4, by an undertaking controlled by that natural or legal person within the meaning of point 6 of Article 2 of the Annual Accounts Act No. 3/2006;

6. Are attached to shares deposited with that natural or legal person which the natural or legal person can exercise at its discretion in the absence of specific instructions from the holders of the shares;

7. Are held by a third party in its own name on behalf of the natural or legal person;

8. A proxy exercises where such proxy can exercise the voting rights at its discretion in the absence of specific instructions from the holders of the shares.

Article 80*Notification requirement regarding financial instruments*

The notification requirement laid down in Article 78 shall also apply to a party that holds, directly or indirectly, financial instruments as provided in paragraphs (a) and (d)-(h) of point 2 of paragraph 1 of Article 2, provided that the financial instrument in question results in an entitlement of the party in question to acquire, on such holder's own initiative alone, under a formal agreement, shares to which voting rights are attached, already issued, of an issuer falling under paragraph 1 or 2 of Article 77.

When an entitlement resulting from a financial instrument under paragraph 1 is exercised to acquire shares, a notification shall be sent to the issuer in question and to the Financial Supervisory Authority if the exercise results in the voting rights of the party in question reaching or exceeding any of the thresholds listed in Article 78.The above applies even if the acquisition of the financial instrument has already been notified pursuant to paragraph 1.

If a financial instrument under paragraph 1 becomes invalid, a notification shall be sent in accordance with paragraph 2.

Article 81*Notification by an undertaking in a group*

A subsidiary under point 5 of Article 79 is not required to send a notification pursuant to Articles 78 and 79 if its parent undertaking, or, if the parent undertaking itself is a subsidiary, the parent of the parent, sends the notification.

Article 82*Proxy representation at shareholders' meetings*

Where a proxy in circumstances provided for in point 8 of Article 79 receives one or more proxy authorisations in relation to a single shareholders' meeting, a single notification may be sent, provided that the notification states clearly the subsequent aggregate of voting rights of the parties granting the proxy in the issuer after the proxy lapses.

If a notification requirement arises as a result of point 8 of Article 79, no other notification needs to be communicated if the proxy lapses after the shareholders' meeting and the notification prepared in relation to the granting of the proxy contained information on the subsequent aggregate of voting rights of the party granting the proxy in the issuer after the proxy lapses.

Article 83*Notification requirement for more than one party*

If a notification requirement arises for more than one party, the parties in question may send a joint notification. The joint notification does not relieve any such party from responsibility for the notification.

Article 84*Changes to share capital or voting rights*

Where an issuer increases or reduces its share capital or number of voting rights, the issuer shall, on the last trading day of the calendar month in which the changes occur, disclose the total number of shares and the total number of voting rights.

Article 85*Contents of notifications*

A notification required under Articles 78 and 79 shall include the following information:

1. The resulting situation in terms of voting rights;

2. The chain of controlled undertakings through which voting rights are effectively held, if applicable;

3. The date on which the notification requirement arose; and

4. The full name of the holder of the shares, even if the party in question does not hold the right to exercise the voting rights owing to the circumstances provided for in Article 79, and the full name of the party exercising the voting rights on behalf of the holder of the shares.

Article 86*Time limit for required notification*

A party required to give notification under paragraph 1 of Article 78 and Articles 79 and 80 shall communicate the notification to the issuer in question and to the Financial Supervisory Authority as soon as possible, and no later than on the trading day immediately following the date on which the notification requirement arose.

A party required to give notification under paragraph 2 of Article 78 shall communicate the notification to the issuer in question and the Financial Supervisory Authority as soon as possible, and no later than on the trading day immediately following the date on which the issuer made public the total number of shares and the total number of voting rights in accordance with Article 84.

Article 87*Time limit for issuer to disclose information contained in a notification*

The issuer shall, as soon as practicable after receipt of a notification under Article 78, 79 or 80, and no later than at 12:00 hours on the trading day immediately following its receipt of the notification, make public all the information contained in the notification.

The issuer is not required to provide a translation of the notification into a language accepted by the Financial Supervisory Authority if a notification under Articles 78, 79 or 80 is received in English.

Article 88*Exemptions from notification requirement*

When shares are acquired for the sole purpose of clearing and settling within the usual short settlement cycle, no notification is required to be sent pursuant to Article 78.

When a party holds shares in a custodian capacity, no notification is required to be sent pursuant to Article 78, provided that such custodian can only exercise the voting rights attaching to such shares under instructions given in writing or by electronic means.

National central banks in the European Economic Area and the European Central Bank are not required to send a notification under Article 78 or point 3 of Article 79 when shares are provided to or by the central bank in question as part of discharging its functions as a monetary authority, provided that such measures are completed within the usual short settlement cycle from the time that the central bank in question provided or was supplied with the shares and that the voting rights attaching to the shares are not exercised.

Article 89*Trading book*

When assessing the notification requirement under Article 78, the voting rights attaching to shares in the trading book of a financial undertaking licensed under points 1 to 6 of paragraph 1 of Article 4 of Act No. 161/2002 on financial undertakings shall not be included in the assessment provided that the proportion of the voting rights in the trading book does not exceed 5% and that the financial undertaking in question ensures that the voting rights are neither exercised nor employed in any other manner directly or indirectly designed to intervene in the management of the issuer.

Article 90*Market maker*

The notification requirement under Article 78 does not apply to the acquisition or disposal of shares by a market maker, notwithstanding the voting rights attached to shares reaching or exceeding the 5% threshold, provided that the market maker carries out the transaction in its capacity as market maker and neither intervenes in the management of the issuer concerned nor exerts any influence on the issuer to buy such shares or support the share price.

Article 91*Parent undertaking of a management company*

In fulfilling the notification requirement under Articles 78 and 79, the parent undertaking of a management company under the Act on undertakings for collective investment in transferable securities (UCITS) and investment funds shall not be required to aggregate its holdings with the holdings managed by the management company of the UCITS or investment fund, provided that such management company exercises its voting rights independently from the parent undertaking or another controlled undertaking of the parent undertaking.

The provision of paragraph 1 also applies to the parent undertaking of the management company of a foreign UCITS established and accredited in the European Economic Area, cf. Article 43 of the Act on undertakings for collective investment in transferable securities (UCITS) and investment funds. The same applies to the parent undertaking of an equivalent management company established outside the European Economic Area.

Article 92*Parent of a financial undertaking licensed to trade in securities*

When fulfilling the notification requirement under Articles 78 and 79, the parent undertaking of a financial undertaking licensed to trade in securities under the Act on financial undertakings shall not be required to aggregate its proportion of voting rights and the proportion of voting rights attaching to other shares managed by the financial undertaking in question on a client-by-client basis, provided that the financial undertaking is only permitted to exercise the voting rights attaching to such shares under verifiable instructions by the client or it ensures that individual portfolio management services are conducted independently of any other services, and that the financial undertaking exercises the voting rights independently of the parent undertaking or another controlled undertaking of the parent undertaking.

The provision of paragraph 1 shall also apply to the parent of a foreign undertaking established in the European Economic Area and licensed to trade in securities in the European Economic Area. The same applies to the parent of an undertaking established in a country outside the European Economic Area if the undertaking is licensed to trade in securities in its home country and that operation is subject to regulation in the home country.

Article 93*Notification requirement regarding own shares*

Where an issuer acquires or disposes of its own shares, it shall make public the proportion of its own shares if the acquisition or disposal results in the proportion reaching, exceeding or falling below the thresholds of 5% or 10% of the voting rights. The proportion shall be calculated on the basis of the total number of shares to which voting rights are attached, even if the exercise of the rights is suspended.

Information under paragraph 1 shall be made public as soon as possible and no later than before 12:00 hours on the trading day immediately following the acquisition or disposal.

Article 94*Issuer whose registered office is in a state outside the European Economic Area*

The provision of Article 84 does not apply where an issuer having its registered office in a state outside the European Economic Area meets the requirements laid down in binding administrative provisions in the state where the issuer has its registered office which are equivalent to Article 84.

The provision of Article 87 does not apply where an issuer having its registered office in a state outside the European Economic Area meets the requirements laid down in binding administrative provisions in the state where the issuer has its registered office which are equivalent to Article 87.

The provision of Article 93 does not apply where a legal person having its registered office in a state outside the European Economic Area meets the requirements laid down in binding administrative provisions in the state where the issuer has its registered office which are equivalent to Article 93.

The Financial Supervisory Authority shall assess whether the requirements under the binding administrative provisions of a state outside the European Economic Area are equivalent to Articles 84, 87 and 93.

Article 95*Publication*

An issuer shall make public in the European Economic Area information under this Chapter as soon as possible on a non-discriminatory basis. Concurrently with the publication the issuer shall send the information to the Financial Supervisory Authority.
The Financial Supervisory Authority may publish on its website any information that has been made public.

Article 96*Central storage*

An issuer shall send all information that has been made public pursuant to this Chapter to the Financial Supervisory Authority, or a party appointed by the Financial Supervisory Authority, for central storage, as provided in Article 136.

Article 97*Languages*

Where an issuer's shares are admitted to trading on a regulated market only in Iceland, information pursuant to this Chapter shall be disclosed in Icelandic or any other language accepted by the Financial Supervisory Authority.

Where an issuer's shares have been admitted to trading on a regulated market in Iceland and in one or more Member States of the European Economic Area, the issuer shall disclose information under this Chapter in Icelandic, or any other language accepted by the Financial Supervisory Authority, and either in English or any other language accepted by the competent authorities in the host states, at the choice of the issuer.

Where an issuer's shares are admitted to trading on a regulated market in one or more host state but not in Iceland, information pursuant to this Chapter shall be disclosed either in English or any other language accepted by the competent authorities in the host states, at the choice of the issuer.If the Financial Supervisory Authority so requests, the issuer shall also disclose the information in English or any other language accepted by the Financial Supervisory Authority, at the choice of the issuer.

Where the shares of an issuer are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraphs 1-3 shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.

A notification pursuant to Articles 78, 79 and 80 may be in Icelandic or English.

Article 98*Regulation*

The Minister may establish further provisions regarding this Chapter in a regulation,[1)] including on the contents of notifications relating to financial instruments under Article 80, the type of agreement to be treated as a formal agreement under Article 80, further details on the contents of notifications under Article 85, the maximum duration of a usual short settlement cycle under Article 88, which criteria undertakings under Articles 91 and 92 must meet to be regarded as exercising their voting rights independently of their parent undertakings and the implementation of publication, cf. Article 95.

[1)]Reg. 707/2008.

Chapter X. [Takeovers][1]

[1)] Act. 22/2009, Art 12

Article 99*Scope of the Chapter*

["Securities" in this chapter refers to securities carrying voting rights, even where the exercise of the voting rights is suspended, and financial instruments conferring the right to acquire previously issued securities of such nature.

The provisions of this Chapter apply to takeovers targeting issuers having their registered office in Iceland whose shares have been admitted to trading on a regulated market in Iceland.

The provisions of this Chapter relating to information to be provided to employees of a target issuer shall apply to the board of directors of an issuer having its registered office in Iceland which has had a class of securities admitted to trading on a regulated market in the EEA, but not in Iceland. The same applies to such issuers as regards the provisions of the Chapter relating to company law and its provisions permitting a board of directors to take any action which might result in the frustration of the takeover bid. The provisions of this Chapter do not apply to takeovers of issuers having their registered office in Iceland whose securities have only been admitted to trading on a securities market outside the EEA.

Takeover bids targeting issuers having their registered office in another state within the EEA and having had a class of securities admitted to trading on a regulated market in Iceland are subject only to the provisions of the Chapter relating to consideration in the case of mandatory takeover bids and the provisions relating to the conduct of the bid. The provisions of the Chapter do not apply if the issuer in question has also had a class of securities admitted to trading on a regulated market in the state where the office of the issuer is registered.

Notwithstanding the provisions of paragraph 4, the provisions of the Chapter do not apply if an issuer has had a class of securities admitted to trading on a regulated market in state within the

EEA other than the state where its office is registered prior to its securities being admitted to trading on a regulated market in Iceland. If the securities of an issuer are simultaneously admitted to trading on a regulated market in Iceland and a state within the EEA other than the state in which his office is registered, the issuer shall decide which rules should apply to him as regards consideration in the case of mandatory takeover bids and the provisions governing the conduct of the bid and notify the decision to the relevant regulated market and competent authority before the start of trading.

The provisions of this Chapter apply to takeover bids targeting issuers having their registered office in a state outside the EEA who have had a class of securities admitted to trading on a regulated market only in Iceland and not in other markets.

Takeover bids targeting issuers having their registered office in a state outside the EEA and having had a class of securities admitted to trading on a regulated market in Iceland and other markets are subject only to the provisions of the Chapter relating to consideration in the case of mandatory takeover bids and the provisions relating to the conduct of the bid.

The provisions of this Chapter shall apply to any takeover of a limited liability company which has obtained admission to trading for one or more classes of its shares on a regulated market in Iceland.][1]

[1)] *Act 22/2009, Art 1*

Article 100*Mandatory bid*

[If a person has, directly or indirectly, gained control of a company which has obtained admission to trading on a regulated market for a class of securities, that person shall, no later than four weeks after the person knew or could be expected to have known about a mandatory bid obligation, or a decision on the bid was available, extend a takeover bid to other shareholders in the company, i.e. a bid to purchase their shares in the company.“Control” shall mean that the person concerned and any persons acting in concert with that person:][1]

1. Have acquired a total of at least [30%][1] of the voting rights in the company;

2. Have the right, based on an agreement with other shareholders, to control at least [30%][1] of the votes in the undertaking; or

3. Have acquired the right to appoint or dismiss a majority of the company’s board of directors.

Parties shall be considered to be acting in concert if they have reached an agreement allowing one or more of them to acquire control, or on preventing a takeover from succeeding, whether this agreement is formal or informal, written, oral or otherwise.

Parties shall, however, always be deemed to act in concert if the following connections exist, unless the contrary is proved to be the case:

1. [Married couples, registered or co-habiting partners and children of married couples or registered or co-habiting partners][1];

2. Connections between parties which directly or indirectly involve control by one party of the other, or if two or more undertakings are directly or indirectly under the control of the same party. Regard shall be had for connections between parties as provided in Points 1, 3 and 4;

3. Undertakings in which a party directly or indirectly holds a significant holding, i.e. where the party directly or indirectly holds at least one-third of the voting rights in the undertaking concerned. Regard shall be had for connections between parties as provided in Points 1, 2 and 4;

4. Connections between an undertaking and its board of directors and an undertaking and its managing directors.

5. [Direct or indirect relationships between persons within or outside the company in question, whether important relationships of interest or personal relation, based on kinship, marriage or friendship, or relationships based on financial interests or contracts, which are likely to result in concert between the persons in directing the affairs of the company in consultation with one another or each other in such a manner that they exercise control over it.][1]

[The mandatory bid requirement under paragraph 1 shall be incumbent upon the person acting in concert which, by increasing its holding, causes the threshold specified in paragraph 1 to be reached. If the person acting in concert which increases its shares is not the leading party in the partnership, the Financial Supervisory Authority may, in exceptional cases, decide that the mandatory bid obligation should be transferred to the leading party.The Financial Supervisory Authority may permit others to launch a bid, either alone or jointly with the person required to make a mandatory bid under this paragraph, provided that an application to such effect is submitted no later than two weeks after the person required to make the mandatory bid knew, or should have known, about the obligation, or a ruling on the mandatory bid obligation was available. In such an event, the persons shall be liable *in solidum* for the bid and its performance.][1]

The Financial Supervisory Authority may grant exemptions from mandatory bids under paragraph 1 if special circumstances so warrant. The Financial Supervisory Authority may set conditions for such exemptions, e.g. concerning the time limit which the party in question shall have to dispose of holdings in excess of allowable thresholds and the treatment of voting rights during that period. [An application for such an exemption shall be submitted no later than two weeks after the person knew or should have known about the obligation to make the mandatory bid, and no later than two weeks before a ruling on the mandatory bid was available. It is permitted to apply separately for a postponement of selling shares in excess of the thresholds specified in paragraph 1 while a case is under investigation by the Financial Supervisory Authority pursuant to this paragraph.][1]

An offeror, as referred to in paragraph 1, must prepare an offer document, as provided in Chapter XI.

[If a person and persons acting in concert with it exercise control of a company when its securities are admitted to trading on a regulated market, the person shall not become subject to a mandatory bid obligation pursuant to this article, provided that the person does not increase its voting rights in the company beyond the nearest multiple of five. However, this does not apply if the person in question loses and then regains control.][1]

[1)] *Act 22/2009, Art 2*

[**Article 100a**

If a shareholder, or other person, proposes to purchase shares in a company or enter into other agreements or arrangements which would bring about an obligation to make a takeover bid under this Act, the person may, by a written and reasoned application to the Financial Supervisory Authority, ask to be released from the mandatory bid obligation for a specified amount of time. The conditions for granting such permission are that the objective of the applicant is to save a company from serious financial problems or participate in the restructuring of a company because of its financial problems, and that the board of the company is in agreement.

The Financial supervisory Authority shall process an application submitted pursuant to paragraph 1 as promptly as possible, and no later than two weeks from the time that the application and the data on which it is based are received.

The Financial Supervisory Authority may attach conditions to permission granted under this article, e.g. as regards maximum shares or voting rights or the obligation to sell shares before a specified deadline.][1]

[1)]*Act 22/2009, Art. 3*

Article 101*Voluntary bid*

[The provisions of this Chapter shall also apply to voluntary bids. A "voluntary bid" shall mean a bid made to all shareholders of the company in question, without any mandatory bid being required under paragraph 1 of Article 100. In the case of a voluntary bid, an offeror is not required to observe the provisions of paragraphs 2 and 4 of Article 103 on the terms of a bid.][1]

An offeror making a voluntary bid must prepare an offer document, as provided in Chapter XI.

[An offeror making a voluntary bid may limit its bid to only a portion of the share capital or voting rights in the company in question, provided that the bid does not trigger a mandatory bid obligation as provided in Article 100. A limited bid under this paragraph shall provide all shareholders or holders of voting rights with the option to sell their shares or voting rights in direct proportion to the amount of their shareholdings or voting rights.][1]

An offeror making a voluntary bid may set conditions to which the bid is subject.

[If an offeror has acquired control of a company following a voluntary bid for all the shares of all shareholders in the company in question, the offeror shall not be obliged to make a takeover bid as provided in Article 100. The same applies if an offeror has acquired more than 9/10 of the shares in a company or controls corresponding voting rights following a voluntary bid.][1]

[1)] *Act 22/2009, Art. 4*

Article 102*Notification of a bid*

An offeror must notify the regulated market in question of any decision on a bid without delay. The regulated market must make the notification public. The bid shall furthermore be presented to the employees of the undertakings in question.

[The Financial Supervisory Authority may require a person contemplating a takeover bid to provide, within a specified time limit, a public account of his intentions, if the Authority believes that rumours of an impending takeover bid are having an unnatural impact on the price formation of the issuer's securities.[1]

If it is publicly disclosed that a person intends to make a takeover bid, the person shall issue a final decision on whether he intends to make a takeover bid within six weeks, in accordance with the provisions of paragraph 1.If such a decision is not made within this time limit, this constitutes a public declaration that the person does not intend to make a takeover bid.[1]

If a person declares publicly that he/she does not intend to make a takeover bid, such person and any persons acting in concert with him/her are prohibited from making such a bid for six months from the time that the declaration was issued or take any action which could make him/her, or a person acting in concert with him/her, subject to the obligation to make a mandatory bid pursuant to Article 100.[1]

The Financial Supervisory Authority may grant exemptions from the time limits provided for in paragraphs 3 and 4 if special circumstances so warrant.][1]

[1)]*Act 22/2009, Art. 5*

Article 103*Terms of a bid*

An offeror must make all shareholders of the same class of shares an offer on the same terms.

The price offered in a takeover [...][1] must be equivalent to the highest price paid by the offeror, or by parties acting in concert with it, for shares acquired in the undertaking in question during the past six months prior to making the bid. The bid must, however, be at least equal to the latest transaction price for shares in the undertaking in question the day before the mandatory bidding obligation arose or notification was given of the proposed bid.

If an offeror, or party acting in concert with the offeror, pays a higher price than provided for [in the takeover bid][1] during the offer period, the offeror must adjust the takeover bid and offer that

price. If an offeror, or parties acting in concert with the offeror, pays a higher price or offers better terms for shares in the undertaking in question during the three months following the conclusion of the offer period, those shareholders who accepted the original offer shall be paid a supplemental payment corresponding to the difference.

In a takeover bid, the offeror may offer other shareholders in the undertaking in question payment in cash, shares conferring voting rights or both. If the offeror does not offer liquid shares admitted to trading on a regulated market as payment, cash must also be offered as an option.The same shall apply if an offeror, or party acting in concert with the offeror, has paid for at least 5% of the undertaking's shares in cash during the six months immediately preceding the triggering of a mandatory bid obligation and during the offer period.

If an offeror intends to pay for shares in cash, payment must be guaranteed by a credit institution licensed to operate in the European Economic Area. The Financial Supervisory Authority may, however, approve a guarantee from a credit institution outside the European Economic Area. If payment is made by other means, the offeror must take suitable measures to ensure that it can meet its obligations under the bid.

The period of validity of a takeover bid shall be at least four weeks and a maximum of ten weeks [subject to the provisions of paragraph 2 of Article 108][1].The Financial Supervisory Authority may extend the period of validity of a bid if there are valid reasons for so doing.

The settlement relating to shares taken over must be made no later than five business days after the expiration of the period of validity of the bid.

The Financial Supervisory Authority may adjust a bid price either upwards or downwards under exceptional circumstances, provided that the principle of equal treatment of shareholders in paragraph 1 is observed. [If an offeror or offeree requests that the Financial Supervisory Authority review a bid price, the offeror or issuer shall bear the cost resulting from the valuation pursuant to the first sentence. In the event of cost incurred by the Financial Supervisory Authority, such cost shall be paid according to a tariff approved by the Authority's board and published in *Stjórnartíðindi* [the Official Journal]. If the valuation is carried out by an external valuator, the offeror or issuer shall pay for the valuation as invoiced by the valuator.][1] The Financial Supervisory Authority may also grant exemptions from the provisions of paragraphs 4 and 7 if exceptional circumstances so warrant. Any decision regarding the adjustment of a bid price or exemptions must be reasoned and made public.

[1)] *Act 22/2009, Art. 6*

Article 104*Obligations of directors*

The board of directors of a target undertaking must consider the interests of the undertaking itself in all their actions and must not deny the undertaking's shareholders an opportunity to take a decision on the bid.

From such time as a decision on a bid for shares in an undertaking is made public, or the board of directors of the undertaking becomes aware that a bid is imminent, and until the result of the bid is made public, the board of the undertaking in question must not take any action which may influence the bid except with prior authorisation of a shareholders' meeting. This shall apply, *inter alia*, to decisions on:

1. Issuing new share capital or financial instruments of the undertaking or its controlled undertakings;

2. [Acquisition or sale of own securities or securities of controlled undertakings];[1]

3. Merger of the undertaking or its subsidiaries with other undertakings;

4. Acquisition or sale of assets or anything else which could have a significant impact on the activities of the undertaking or its controlled undertakings;

5. Agreements not falling under the undertaking's normal course of business;

6. Significant changes in the terms of employment of management;

7. Other decisions which could have equivalent implications for the activities of the undertaking or its subsidiaries.

A board of directors may, however, seek alternative bids without the approval of a shareholders' meeting.

A shareholders' meeting must also confirm or approve any decision taken before the beginning of the period specified in paragraph 2 if such decision has not yet been partly or fully implemented and does not fall under the normal course of the company's business.

The board of a target company shall draw up and make public a report setting out its reasoned opinion of the bid and its terms.[Individual members of the board shall also disclose whether they or their financially linked persons intend to accept the bid, if applicable.][1]The opinion must include the views of the board on the offeror's strategic plans and what implications the board believes the bid may have on the company's interests, the employment of its management and personnel and the locations of the company's places of business. If the board of the target company receives in good time an opinion from employees' representatives on the effects of the bid on the employment of company personnel, that opinion shall be appended to the board's report. [The same obligation is incumbent on the board of an issuer having its registered office in Iceland which has had a class of securities admitted to trading on a securities market in a state within the EEA, but not in Iceland.][1]

If opinions vary among board members concerning the bid, this shall be specified in the report. If members of the board are parties to the bid, or are acting in concert with the offeror, or in other respects have significant interests at stake concerning the outcome of the bid, this shall be mentioned in the board's report. Those members of the board who are parties to the bid, or are

acting in concert with the offeror or in other respects have significant interests at stake concerning the outcome of the bid, shall not participate in drawing up the board's report.

If board members, or parties acting in concert with them as provided in Article 100, are parties to a bid or ineligible in other respects to discuss the bid, and as a result the board does not constitute a quorum, the board shall have an independent financial undertaking assess the bid and its terms.

The board's report must be made public at least one week prior to the expiry of the period of validity of the bid.

If the offeror amends the bid, as provided in Article 107, the board must, within seven days of the date when the amended bid is made public, prepare and make public, in accordance with Article 114, a supplement to its report setting out the board's opinion on the amendments in question.

[1)] *Act 22/2009, Art. 7*

Article 105*Revocation of a bid*

A bid which has been made public, as provided in Article 114, cannot be revoked except for reasons of *force majeure*.

A voluntary bid may be revoked, however, if any of the following conditions are satisfied:

1. Another bid is made which is equivalent to or more favourable than the takeover bid;

2. A condition to which the bid is subject, and which is stated in the offer document, is not fulfilled;

3. The limited liability company which is the target of the bid increases its share capital; or

4. Other special circumstances so warrant.

The Financial Supervisory Authority shall approve the revocation of a bid.

The revocation of a bid shall be made public in accordance with Article 114.

Article 106*Lapsing of a bid*

A bid lapses if this is justified for legal reasons or if the approval of public authorities regarded as necessary for the transfer of ownership of the shares has not been obtained when the bid validity period expires, or the transfer has been rejected during the bid validity period.

If a bid lapses for the above reasons, the offeror and parties acting in concert with the offeror are not permitted to make a new bid or exceed the thresholds by which the mandatory bid

obligation is triggered, as provided in Article 100, during the next 12 months, unless prior approval has been obtained from the Financial Supervisory Authority.

However, the Financial Supervisory Authority is permitted to grant an exception from this Article in cases where the approval of public authorities is received after the bid validity period expires and there are specific reasons that the bid should stand notwithstanding the provisions of paragraph 1.[1]

[1)] *Act 22/2009 Art. 8*

Article 107*Amendments to a bid*

An offeror may at any time during the offer period amend the bid if such changes result in more favourable terms for other shareholders. If amendments are made to a bid when less than two weeks remain of its offer period, the period shall be extended to remain valid for at least two weeks after the amended bid is made public.

Shareholders who accepted the previous bid shall be given the option of choosing either bid.

Amendments to a bid shall be made public, cf. Article 114.

Article 108*Competing bids*

A "competing bid" shall mean a bid from a third party made public during the validity period of another bid.

If the previous bid is not revoked or amended after the competing bid is made, the validity period of the former shall be extended to accord with that of the competing bid.

If a competing bid is made, shareholders who have accepted a conditional voluntary bid, cf. paragraph 4 of Article 101, may withdraw their acceptance at any time during the bid validity period if the offeror has not publicly announced, before the proposed competing bid is announced, that the offeror has waived all the conditions set in the bid or that all conditions have been met.

Article 109*Information on bid results*

The offeror shall make public information on the results of a bid in a notification to the regulated market in question within three business days of the expiry of the bid validity period. [From the start of the bid validity period and up to the point where information on bid results is made public, the rules on notification requirements, cf. Chapter IX, the rules on the duty of insiders to investigate and to give notification, cf. Articles 125 and 126, and the rules on the notification of management's transactions, cf. Article 127, shall not apply, provided that the transaction in question relates to the acceptance of a takeover bid. The exception shall not apply in the case of trading with a person other than the person submitting the takeover bid. However, after information on the results of a bid have been published, persons required to give notification

shall publish notices of thresholds prior to the close of the following business day after the results of a bid became public, and primary insiders shall send to the compliance officer a notice of their transaction within a single business day, after which the issuer shall notify the transactions to the Financial Supervisory Authority on the same day.][1]

[In the case of a voluntary bid, the notification must state whether the conditions set in the bid have been met and, if not, whether the offeror intends nonetheless to pursue its bid or revoke it. If an offeror chooses to waive his/her conditions, the provisions of Article 107 shall apply to such waiver. Conditions may only be waived within three business days from the end of the bid validity period.][1]

[1)] Act 22/2009, Art 9

Article 110*Right of squeeze-out and sell-out*

If the offeror and parties acting in concert with it, as provided in Article 100, acquire more than $^{9}/_{10}$ of the share capital [and][1] voting rights in the target company, the offeror and board of the company may jointly decide that other shareholders shall be subject to redemption of their shares.If such a decision is made, a notification shall be communicated to these shareholders in the same manner as applies to convening annual general meetings, as appropriate, encouraging them to transfer their shares to the [offeror and/or voting rights][1] within four weeks' time.[The terms of redemption and the basis of valuation of the redemption price shall be specified in the notification.][1]If an offeror requests redemption within three months from the close of the offer period, the price offered in the bid shall be considered a fair redemption price, unless the provisions of paragraph 3 of Article 103 apply.

If a holding is not transferred as provided in paragraph 1, its price shall be deposited in a holding account in the name of the rightholder. From that time forth the shareholder [offeror] shall be the rightful owner of the [securities][1] and the shares of the previous owner shall be void. Further provisions in this respect may be established in articles of association.

If an offeror and parties acting in concert with the offeror, as provided in Article 100, acquire more than $^{9}/_{10}$ of the share capital [and][1] voting rights in the target company, any individual minority shareholder shall be entitled to require redemption of its shares by the offeror. If a shareholder requests redemption within three months from the end of the offer period, the price offered in the bid shall be considered a fair price, unless the provisions of paragraph 3 of Article 103 apply.

The cost of redemption shall be paid by the offeror.

[1)] Act 22/2009, Art. 10

Article 111*Remedies if no bid is made*

If a party required to submit a mandatory bid under Article 100 fails to put forward a bid within the time limit, or within four weeks of the time that the Financial Supervisory Authority rules

that a mandatory bid obligation exists owing to parties acting in concert, the Financial Supervisory Authority may cancel all the voting rights held by the parties in question in the undertaking. In such a case, these shares shall not be included in calculating the proportion of share capital carrying voting rights at shareholders' meetings. [The same shall apply if a person does not comply with conditions under paragraph 3 of Article 100 or violates paragraph 4 of Article 102.][1]The Financial Supervisory Authority shall notify the undertaking in question of the cancellation of voting rights. Once this has been effected, the parties in question must sell any portion of the holding in excess of the authorised thresholds, as provided in Article 100.The Financial Supervisory Authority shall set a deadline for this purpose, which shall be a maximum of four weeks. If a holding has not been sold by the specified time, the Financial Supervisory Authority may impose per diem fines on the party in question in accordance with the Act on official supervision of financial operations.

The Financial Supervisory Authority may also establish conditions for the exercise of voting rights by a party required to make a mandatory bid or cancel its voting rights before the time prescribed in paragraph 1 if special grounds so warrant.

[1)]Act 22/2009, Art. 11

Chapter XI. Offer document

Article 112*Scope of the Chapter*

The provisions of this Chapter shall apply to the offer document that must be prepared and made public in connection with a takeover bid [targeting an issuer who has had a class of securities admitted to trading on a regulated market in Iceland.][1]

[1)]Act 22/2009, Art. 13

Article 113*Contents of the offer document*

The offer document must include at least the following information:

1. The name, address and identification number of the target [company][1];

2. The name and address of the offeror and, where the offeror is a company, its legal form, together with a list of the natural or legal persons expected to participate in the transaction together with the offeror or who are acting in concert with the offeror, as provided in Article 100;

3. Details of the voting rights, degree of control or number of shares already acquired by the offeror and parties acting in concert with it, as provided in Article 100, directly or indirectly, or which the offeror has secured by other means, as well as the anticipated voting rights, degree of control or number of shares of the offeror following the sale, as appropriate;

4. The maximum and minimum percentages or quantities of shares which the offeror undertakes to acquire, in the case of a voluntary bid;

5. The consideration offered in the bid, the method employed in determining it and when payment is to be made; information shall also be provided as to whether any costs are payable by shareholders accepting the bid;

6. Financing of the bid;

7. Information as to how payment shall take place and, if [securities][1] are offered as payment, information on these shares and how the exchange will be determined;

8. The date that shares are to be delivered and when the voting rights they confer may be exercised;

9. Any other conditions to which the bid may be subject, including under what circumstances it may be revoked;

10. The bid validity period;

11. What offerees are required to do to indicate their acceptance;

12. A summary by the offeror of future intentions for the company, including plans for its activities and how the company's financial assets are to be used, information on continuing trading in the company's [securities][1] on a regulated market, amendments to its articles of association and anticipated restructuring, if applicable; mention shall also be made of the possible repercussions of the takeover on the employment of management and employees and their conditions of employment, in addition to the locations of the companies' places of business; if the offeror is a company and the bid affects that company, a similar summary for that company shall also be published;

13. Information on prospective agreements with other parties on exercising voting rights in the company, insofar as the offeror is a party to such an agreement or aware of it;

14. Information on any fringe benefits or payments from the offeror and parties acting in concert with the offeror to board members or management of the target company;

15. Information on the law which will govern contracts concluded between the offeror and shareholders as a result of the bid, and the competent courts;

16. Other information of significance.

The offer document must be approved by the Financial Supervisory Authority prior to being made public, as provided in Article 114.If substantial changes occur to the information contained in an offer document after it has been made public, or if the offer document proves not to meet the requirements listed in paragraph 1, the Financial Supervisory Authority may require that

further information be made public within seven days. [The offer document shall be in Icelandic. However, the Financial Supervisory Authority may grant permission for the offer document to be in English if special circumstances warrant. An offer document which has been approved in one EEA state and meets the conditions of paragraph 3 shall be accepted as fully valid in Iceland. However, the Financial Supervisory Authority may request further information to be added into the offer document in the case of matters which apply specifically to Iceland as regards formalities which need to be observed regarding the acceptance of an offer and settlement for taken-over shares, as well as tax matters relating to the offer.][1]

The Financial Supervisory Authority may conclude an agreement with a stock exchange to handle the approval of offer documents, cf. Article 138. Such an agreement shall state the tasks entrusted to the stock exchange as well as the terms and conditions for their performance. The consideration for the scrutiny and approval of offer documents shall be determined by the Financial Supervisory Authority or the stock exchange in question.

[1)] Act 22/2009, Art. 14

Article 114 *Publication of an offer document*

A notice of an offer document shall be placed in one or more daily newspapers published in Iceland no later than four days prior to the effective date of the bid, provided that the approval of the Financial Supervisory Authority, cf. paragraph 2 of Article 113, has been obtained. The notice shall state where the offer document can be obtained. Concurrently, the registered shareholders in the target undertaking shall be sent the offer document at the offeror's expense. The offer document shall also be presented to the employees of the undertakings in question.

Chapter XII. Price formation on a regulated market

Article 115 *Scope of the Chapter*

The provisions of this Chapter cover the following financial instruments:

1. Financial instruments that have been admitted to trading or requested to be admitted to trading on a regulated market in Iceland, the European Economic Area or comparable foreign markets; and

2. Financial instruments linked to one or more financial instruments of the kind referred to in point 1.

The provisions of Article 117 shall also apply to financial instruments traded on an MTF in Iceland and financial instruments linked to one or more such financial instruments.

The provisions of Article 117 shall not apply in the case of:

1. Trading in own shares in buy-back programmes or for stabilisation of financial instruments, provided that such trading is carried out in accordance with a regulation to be adopted on the basis of Article 118;

2. Transactions by national governments or central banks in the European Economic Area or parties handling transactions on their behalf, provided that such transactions are part of government monetary, exchange-rate or debt-management policy.

Article 116*Market maker*

A financial undertaking authorised to trade in securities may, by means of a contract with an issuer of financial instruments, undertake to act as market maker, i.e. to buy and sell specific financial instruments on own account or on the account of the issuer, in order to generate a market price for them.

A market maker should report any agreement pursuant to paragraph 1 to the regulated market where the financial instruments in question have been admitted to trading. The report should contain the following information on the agreement:

1. Minimum amount of bid and offer quotes;

2. Maximum amount of total trading each day;

3. Maximum bid and offer spreads; and

4. How the financial undertaking intends in other respects to fulfil its obligations under the agreement.

A market maker must each day quote bid and offer prices in the trading system of a regulated market prior to the opening of the market. If a market maker's quote is accepted, or cancelled by it, it must post a new quote as promptly as possible until the maximum trading amount for each day has been reached.

If a financial undertaking concludes a market-making agreement for trading on the account of an issuer, it must ensure that the issuer cannot influence trading decisions on the basis of the agreement.

Article 117*Market abuse and intermediation by a financial undertaking*

Market abuse is prohibited."Market abuse" shall mean:

1. Transactions or orders to trade which:

a. Give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments; or

b. Secure the price of one or more financial instruments at an abnormal or artificial level, unless the party that conducted the transactions or issued the orders to trade can demonstrate that there were legitimate reasons for so doing and that these transactions or orders to trade conform to accepted market practices on the regulated market in question;

2. Transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;

3. Dissemination of information, news or rumours which give, or are likely to give, false or misleading information or signals concerning financial instruments, where the party that disseminated the information knew, or should have known, that the information was false or misleading. The dissemination of information by persons acting in the capacity of journalists should be assessed taking into account the codes governing their profession unless they derive, directly or indirectly, any advantage or profits from the dissemination of the information.

A financial undertaking licensed to trade in securities may not act as an intermediary in securities trading if its employees are aware, or suspect, that such trading may violate paragraph 1.

If an employee of a financial undertaking suspects that the provisions of paragraph 1 have been breached, the employee must immediately notify his immediate superior or the compliance officer. The undertaking in question must notify such suspicions immediately to the Financial Supervisory Authority; an employee may also do so. Disclosure of information by a financial undertaking or its employee in good faith under this paragraph does not constitute a breach of confidentiality incumbent upon the party in question by law or in any other manner. Such disclosure shall neither subject the parties in question to criminal sanctions nor liability for damages. Neither clients nor any other unauthorised parties may be informed that the Financial Supervisory Authority has been provided with information pursuant to the first sentence of this paragraph.

Article 118*Regulation*

The Minister shall establish a regulation[1)] further defining:

1. Market abuse;

2. Accepted market practices;

3. Notifications from financial undertakings or their employees of suspected breaches, cf. paragraph 3 of Article 117;

4. Exemptions from the provisions on market abuse in relation to buy-back programmes and stabilisation of financial instruments.

[1)]*Reg. 630/2005, cf. 887/2008.*

Chapter XIII. Treatment of insider information and insider trading

Article 119*Scope of the Chapter*

The provisions of this Chapter cover the following financial instruments:

1. Financial instruments that have been admitted to trading or requested to be admitted to trading on a regulated market in Iceland, the European Economic Area or comparable foreign markets and financial instruments traded on an MTF in Iceland; and

2. Financial instruments linked to one or more financial instruments of the types provided for in point 1.

The provisions of Article 123 shall not apply to trading in own shares in buy-back programmes or for the stabilisation of financial instruments, provided that such trading is carried out in accordance with a regulation adopted on the basis of Article 131. Other provisions in this Chapter shall apply as appropriate.

Article 120*Insider information*

"Insider information" shall mean sufficiently precise information which has not been made public, relating directly or indirectly to issuers of financial instruments, the financial instruments themselves or other aspects, and which would be likely to have a significant impact on the market price of the financial instruments if made public, as provided for in detail in a regulation established under Article 131.[Information is regarded as having been made public when the issuer of a financial instrument has made the information public in the European Economic Area, as provided for in Articles 122 and 127.][1)] ?[1)]

[1)]*Act 96/2008, Art. 1.*

Article 121*Insider*

An "insider" shall mean:

1. A *primary insider*, i.e. a party who has, as a rule, access to insider information by virtue of his/her membership of a board of directors, management or supervisory bodies or owing to other work for an issuer of financial instruments;

2. A *temporary insider*, i.e. a party who is not considered a primary insider but who possesses insider information by virtue of his/her employment, position or responsibilities; and

3. *Any other insider*, i.e. a party who is considered neither a primary insider nor a temporary insider, but has knowledge of insider information, provided that the person in question knew or should have known the nature of this information.

Article 122*Notification requirements, delay of public disclosure and lawful dissemination of insider information*

[An issuer of financial instruments admitted to trading on a regulated market or traded in a multilateral trading facility shall make public in the European Economic Area any insider information relevant to the issuer as soon as possible on a non-discriminatory basis.][1)]

Concurrently with the publication under paragraph 1 the issuer shall send the information to the Financial Supervisory Authority. The Financial Supervisory Authority may publish on its website any information that has been made public. The Financial Supervisory Authority, or a party appointed by the Financial Supervisory Authority, shall preserve information that has been made public in a central storage, as provided in Article 136.][1)]

An issuer of financial instruments may, under his own responsibility, delay the public disclosure of information under paragraph 1 to protect its legitimate interests, provided that such delay is not likely to mislead the public and the issuer is able to ensure the confidentiality of such information, as provided in a regulation to be established pursuant to Article 131.

If an issuer exercises the permission to delay disclosure under paragraph 3, the issuer, or a party acting on its behalf, may only disclose the insider information to a third party if such disclosure is made in the normal course of employment, profession or duties of the party providing the information and the recipient of the information is bound by an obligation of confidentiality based on, e.g., a law, a regulation or contract.

[1)]*Act 96/2008, Art. 2.*

Article 123*Insider misconduct*

Insiders shall not:

1. Directly or indirectly acquire or dispose of financial instruments, either on their own account or for others, if they possess insider information;

2. Disclose insider information to a third party unless in the normal course of the employment, profession or duties of the party providing the information;

3. Advise third parties, on the basis of insider information, to acquire or dispose of financial instruments or in other respects encourage trading in the financial instruments.

The provisions of paragraph 1 shall also apply to:

1. Legal persons and parties participating in decisions on transactions in financial instruments on the account of the legal person;

2. Parties possessing insider information as a result of illegal actions.

The provisions of point 1 of paragraph 1 shall not apply to:

1. Insider trading fulfilling an overdue contractual obligation to acquire or dispose of financial instruments established before the insider acquired insider information;

2. Transactions carrying out a client's direct order concerning the disposal, ordering or brokering of financial instruments, or complying in a customary manner with a contractual market making obligation, in accordance with the provisions of Chapter XII.

The provisions of paragraph 1 shall not apply to transactions by the national government, the Central Bank of Iceland or parties handling transactions on their behalf, provided such transactions are part of government policy in monetary affairs, exchange rate policy or debt management.

Article 124*Intermediation by a financial undertaking*

A financial undertaking authorised to trade in securities may not act as an intermediary in securities trading if its employees are aware or suspect that such trading may contravene the provisions of this Chapter.

If an employee of a financial undertaking suspects that trading of the type referred to in paragraph 1 has taken place, the employee must immediately notify his/her immediate superior or the compliance officer. The undertaking in question is required to notify such suspicions immediately to the Financial Supervisory Authority, and a employee is also permitted to do so. Disclosure of information by a financial undertaking or its employee in good faith under this paragraph does not constitute a breach of confidentiality incumbent upon the party in question by law or in any other manner. Such disclosure shall subject the parties in question to neither criminal sanctions nor liability for damages. Neither clients nor other unauthorised parties may be informed that the Financial Supervisory Authority has been provided with information under the first sentence of this paragraph.

Article 125*Duty of primary insiders to investigate*

A primary insider must, before conducting any transaction in the financial instruments of an issuer where he/she is an insider, verify that insider information is not available within the issuer. The same shall apply to any proposed transactions involving financial instruments linked to such financial instruments, and to proposed transactions by a party financially connected to a primary insider.

Article 126*Duty of primary insiders to notify*

Before a primary insider, or any party financially linked to him/her, concludes a transaction involving an issuer's financial instruments, the primary insider must notify the person appointed in accordance with rules established in accordance with Article 130 (the compliance officer).Similarly, a primary insider must send notification without delay if he/she or any party financially linked to him/her has concluded a transaction involving the issuer's financial instruments. The issuer in question shall, on that same day, report the transaction to the Financial Supervisory Authority.

The provisions of paragraph 1 shall also apply to proposed transactions involving financial instruments linked to financial instruments under paragraph 1.

Article 127*Notification of management's transactions*

[In addition to notification of insider transactions under Article 126, an issuer shall immediately make public in the European Economic Area information concerning trading by managers of the issuer involving shares in the issuer and other financial instruments linked to such shares, as soon as possible on a non-discriminatory basis, provided that the market value of the transactions is at least ISK 500,000 or the total transfer of holdings of the manager in question of shares in the issuer over the preceding four weeks amounts to at least ISK 1,000,000.Concurrently with the publication the issuer shall send the information to the Financial Supervisory Authority.The Financial Supervisory Authority may publish on its website any information that has been made public. The Financial Supervisory Authority, or a party appointed by the Financial Supervisory Authority, shall preserve information that has been made public in a central storage, as provided in Article 136.][1)]

Notifications under paragraph 1 shall include:

1. The name of the issuer of financial instruments;

2. The date of the notification;

3. The name of the primary insider or financially connected party, if applicable;

4. The primary insider's connection with the issuer of the financial instruments;

5. The date and time of day of the transaction;

6. The type of financial instrument;

7. Whether it was a purchase or sale;

8. The nominal value and the purchase price in the transaction;

9. The nominal value of the holding of, one the one hand, the primary insider and, on the other hand, financially connected parties after the transaction; and

10. The date of the final settlement of the transaction, if applicable.

For the purposes of this Act, "management" shall mean members of the board, chief executives, managing directors, supervisory committees and other managerial personnel who are an issuer's primary insiders and are authorised to take decisions which can affect the future development and performance of the issuer. The same shall apply to parties financially connected with the above management.

[1)] *Act 96/2008, Art. 3.*

Article 128*Lists of insiders*

An issuer must send the Financial Supervisory Authority, in such format as the Authority decides, the following information on primary and temporary insiders:

1. The issuer's name;

2. The regulated market on which the financial instruments of the issuer have been admitted to trading or requested to be admitted to trading or the MTF on which the financial instruments in question are traded;

3. The name, identification number and address of the insider;

4. The insider's connection with the issuer;

5. The reason why the insider is on the list; and

6. Names of parties financially linked to the insider.

The Financial Supervisory Authority shall keep a list of primary and temporary insiders. It may establish more detailed provisions regarding the information to be provided under paragraph 1.Any changes to information listed under paragraph 1 must be notified immediately to the Financial Supervisory Authority. An updated list of insiders must be sent to the Financial Supervisory Authority no less frequently than at six-month intervals.

An issuer must also send information as provided for in paragraphs 1 and 2 to the regulated market on which the financial instruments of the issuer have been admitted to trading or requested to be admitted to trading or the MTF on which the financial instruments in question are traded.

Information on primary insiders in the list of insiders of the Financial Supervisory Authority shall be made public in the manner decided by the Authority.

Article 129*Notification of the insider's legal status*

An issuer that has reported an insider to the Financial Supervisory Authority, as provided for in Article 128, must inform the insider in question of this in writing. In addition, the issuer must inform the insider in writing when the insider has been removed from the register.
An issuer must acquaint an insider with the rules of law applying to insiders and the treatment of insider information.

Article 130*Supervision of treatment of insider information and insider trading*

The board of directors of an issuer of financial instruments admitted to trading on a regulated market or traded on an MTF is responsible for ensuring compliance with rules issued by the Financial Supervisory Authority on the basis of Article 132 on the treatment of insider information and insider trading. The board shall appoint a compliance officer or formally approve the appointment. A deputy compliance officer shall be appointed in the same manner. The compliance officer is responsible for ensuring compliance with the above rules within the issuer and shall submit a report to the issuer's board on the implementation of compliance enforcement as often as needed and at least once a year.

Public authorities and other parties that regularly receive insider information in the course of their activities must comply with the rules of the Financial Supervisory Authority on the treatment of insider information and insider trading, as applicable.

[Article 130.a *Languages*

Where an issuer's securities have been admitted to trading on a regulated market only in Iceland, the issuer shall disclose information pursuant to this Chapter in Icelandic or any other language accepted by the Financial Supervisory Authority.

Where an issuer's securities have been admitted to trading on a regulated market in Iceland and in one or more other Member States of the European Economic Area, the issuer shall disclose information under this Chapter in Icelandic, or any other language accepted by the Financial Supervisory Authority, and either in English or in any other language accepted by the competent authorities in the host states, at the choice of the issuer.

Where an issuer's securities are admitted to trading on a regulated market in one or more states within the European Economic Area but not in Iceland, the issuer shall disclose information pursuant to this Chapter either in English or any other language accepted by the competent authorities in the host states, at the choice of the issuer. If the Financial Supervisory Authority so requests, the issuer shall also disclose the information in English or any other language accepted by the Financial Supervisory Authority, at the choice of the issuer.

Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraphs 1-3 shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.][1)]

[1)] *Act 96/2008, Art. 4.*

Article 131 *Regulation*

The Minister shall establish a regulation[1)] further defining:

1. Insider information;

2. Insider information in the case of commodity derivatives;

3. The form and content of public announcements of insider information;

4. Legitimate interests justifying a delay in making insider information public;

5. Notifications from financial undertakings or their employees of suspected breaches, cf. paragraph 2 of Article 124;

6. Exemptions from the provisions on insider misconduct for buy-back programmes and stabilisation of financial instruments.

[The Minister may establish further provisions in a regulation concerning public disclosure of information under Articles 120, 122 and 127.][2)]

[1)]Reg. 707/2008. [2)]Act 96/2008, Art. 5.

Article 132*Rules of the Financial Supervisory Authority*

The Financial Supervisory Authority shall establish rules concerning:

1. The treatment of insider information, including how to prevent insider information from becoming available to others than those who need such information for their work;

2. Insider trading, including how to fulfil the duty of primary insiders to investigate, as provided for in Article 125;

3. The role and position of compliance officers, cf. Article 130;

4. Recording of communications that take place on the basis of the rules provided for in Article 130;

5. A definition of financially connected parties;

6. Lists of insiders;

7. Notifications of trading by primary insiders, management and financially connected parties.

Chapter XIV. Supervision

Article 133*General supervision*

The Financial Supervisory Authority shall supervise the implementation of this Act and rules established under the Act. Its powers shall be governed by the provisions of this Chapter and of the Act on official supervision of financial activities. The Register of Annual Accounts shall

assess whether information under Chapter VII is prepared in accordance with appropriate accounting standards.

In connection with the investigation of a specific case, the Financial Supervisory Authority may demand any information and documents it considers necessary from natural and legal persons. The Financial Supervisory Authority may require natural persons that it considers to possess information on a particular matter to report to the Authority. Legal provisions on confidentiality shall not limit the obligation to provide information and access to documents under this Article.

Telecommunications operators are required to provide the Financial Supervisory Authority with access to existing records on telephone conversations or communications with specific telephones or telecommunications devices, provided that the consent of the responsible party and actual user has been obtained. If the consent of the responsible party and actual user is not obtained, the Financial Supervisory Authority may request a court order granting access to the records of telecommunications operators as referred to in the first sentence of this paragraph.[The conditions for such a request are subject to paragraph 1 of Article 83 of the Act on civil procedure, and the process of the request is subject to Chapter XV of the same Act.][1)]

If the Financial Supervisory Authority considers that rules concerning public offerings of securities have not been complied with, it may suspend an offering and grant a time limit for rectification, if possible. The Financial Supervisory Authority may issue a public statement on the case in question and levy periodic penalty payments or fines on those connected with the public offering of securities as provided for in the Act on official supervision of financial activities.

If the Financial Supervisory Authority considers that rules on market making have not been complied with, it may issue a warning to a market maker or reprimand it or make a public announcement on its non-compliance.

If the Financial Supervisory Authority considers that rules on the publication of information, as provided for in Article 25 and Chapters VII, VIII and IX, have not been complied with, it may take measures necessary to properly inform the public.

If the Financial Supervisory Authority considers certain practices to be contrary to the provisions of this Act, it may demand that such practices cease immediately. The Authority may also demand the temporary suspension of business activities in order to prevent practices considered to be contrary to the provisions of this Act. The Authority may also demand the temporary suspension of trading in certain financial instruments during its investigation of a particular case. The Authority may also require the removal of certain financial instruments from trading, whether on a regulated market, an MTF or under other trading arrangements if an investigation by the Authority reveals that the trading contravenes the law.

The Financial Supervisory Authority may demand that the assets of a natural or legal person be frozen if there are legitimate grounds to suspect that the practices of the natural or legal person contravene the provisions of this Act. The provisions of [Article 88 of the Code of criminal procedure][1)] shall apply to the conditions and treatment of such a request, as appropriate.

In other respects, the provisions of the Act on official supervision of financial Activities shall govern the supervision of the implementation of this Act, including the supervisory powers and remedies under Articles 9-11 of the Act.

[1)] *Act 88/2008, Art. 234.*

Article 134*Supervision of public offerings and prospectuses*

The provisions of Article 133 shall apply to the supervision of public offerings of securities and prospectuses.

Once the Financial Supervisory Authority has received an application for approval of a prospectus, it may:

1. Require the issuers, offerors or parties requesting admission to trading on a regulated market to publish additional information in a prospectus, if needed, for the purpose of investor protection;

2. Require the issuers, offerors or parties requesting admission to trading on a regulated market and parties that control them or are controlled by them to provide information and documents;

3. Require auditors and management of the issuer, offeror or party seeking admission to trading on a regulated market, as well as managers of the offering or the admission to trading on a regulated market, to provide information;

4. Suspend a public offering of securities or admission to trading on a regulated market for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting an infringement of Chapter VI;

5. Prohibit or suspend advertisements for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting an infringement of Chapter VI;

6. Prohibit a public offering of securities if the provisions of Chapter VI have been infringed;

7. Suspend or request the relevant regulated markets to suspend trading for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting that an infringement of Chapter VI has been committed;

8. Prohibit trading on a regulated market if it considers that the provisions of Chapter VI have been infringed;

9. Make public the fact that an issuer has failed to fulfil its obligations under Chapter VI.

Once securities have been admitted to trading on a regulated market, the Financial Supervisory Authority may, in addition:

1. Require the issuer to disclose all material information which may have an effect on the assessment of the securities admitted to trading on a regulated market, in order to ensure investor protection and the proper functioning of the market;

2. Suspend or request the relevant regulated market to suspend trading provisionally or indefinitely, as the case may be, if, in the Authority's opinion, the issuer's situation is such that trading would be detrimental to investors' interests;

3. Have on-site inspections of issuers carried out within its jurisdiction to verify compliance with the provisions of Chapter VI.

Article 135*Supervision of publication*

The Financial Supervisory Authority shall monitor that issuers disclose timely information with respect to [Chapters VII, VIII, IX and XIII][1)] with the objective of ensuring effective and equal access for the public in the European Economic Area.

The Financial Supervisory Authority shall also monitor that issuers of securities that have been admitted to trading on a regulated market in Iceland but not in the issuer's home state disclose timely information with respect to [Chapters VII, VIII, IX and XIII][1)] with the objective of ensuring effective and equal access for the public in the European Economic Area.

In obtaining information under paragraph 2 of Article 133 from auditors, issuers, holders of shares and other financial instruments or from parties referred to in Articles 79 and 80, and from the parties that control the above parties or are controlled by them, in relation to a particular matter concerning [Chapters VII, VIII, IX and XIII],[1)] the Financial Supervisory Authority may require the issuer to disclose the information by the means and within the time limit considered necessary by the Financial Supervisory Authority. The Financial Supervisory Authority may publish such information on its own initiative if the issuer in question fails to do so when the Authority has previously afforded the issuer the opportunity to protest.

If an issuer having its registered office in a state outside the European Economic Area, with Iceland as its home state, discloses information in the state of its registered office, the Financial Supervisory Authority may require the issuer to make public the information in the European Economic Area if the Authority considers the information to be of importance for the public in the EEA. The Financial Supervisory Authority may publish such information on its own initiative if the issuer in question fails to do so when the Authority has previously afforded the issuer the opportunity to protest.

[1)]*Act 96/2008, Art. 6.*

Article 136*Central storage*

The Financial Supervisory Authority, or a party appointed by the Authority, shall store information made public under the provisions of [Chapters VII, VIII, IX and XIII][1)] by electronic means in a mechanism for central storage.

The central storage mechanism shall comply with quality standards of security, certainty as to the information source, time recording and easy access by end users.

[1)] *Act 96/2008, Art. 6.*

Article 137*Precautionary measures where Iceland is the host state*

Where Iceland is the host state and the Financial Supervisory Authority finds that an issuer or other party required to give notification has committed irregularities which would infringe the provisions of [Chapters VII, VIII, IX or XIII][1)] of this Act or obligations thereunder if Iceland were the home state of the party in question, the Financial Supervisory Authority shall refer the findings to the competent authority of the issuer's home state.The provisions of the first sentence of this paragraph shall not apply to time limits under Article 86 or 87.In such cases the Financial Supervisory Authority shall refer the case to the competent authority in the issuer's home state if the party required to make a notification under Articles 78, 79 or 80 has not sent a notification when four trading days have passed since the notification requirement arose or if an issuer has not made public the information of such a notification when three trading days have passed since the issuer received the notification.

If an issuer or a party required to make a notification under Articles 78, 79 or 80 continues to infringe the laws or rules in question, notwithstanding measures taken by the competent authority of the home state or because the measures do not produce their desired result, the Financial Supervisory Authority, after having reported this to the competent authority of the home state, shall take all appropriate measures to protect investors.

[1)] *Act 96/2008, Art. 6. The Article is as follows: "The words 'Chapters VII, VIII and IX' in paragraphs 1-3 of Article 135, paragraph 1 of Article 136 and paragraph 1 of Article 137 of the Act are replaced by the words: Chapters VII, VIII, IX and XIII." However, the phrasing in paragraph 1 of Article 137 is 'Chapters VII, VIII* ***or*** *IX', i.e. with the conjunction 'or' instead of 'and'. Since the obvious intention was to add chapter XIII to the list in paragraph 1 of Article 137, the change is entered, but using the word 'or'- instead of 'and'.*

Article 138 *Supervision by the regulated market*

The Financial Supervisory Authority may entrust a regulated market with supervisory tasks under this Act. The Financial Supervisory Authority may provide a regulated market with information concerning such supervisory tasks. A regulated market may obtain information from the members of the market in question for supervisory tasks entrusted to the regulated market under this paragraph. The authorisation to charge a fee for individual tasks granted to the Financial Supervisory Authority under this Act shall apply to a regulated market entrusted with the tasks in question.

The supervision provided for in paragraph 1 shall be explained in a statement executed by the Financial Supervisory Authority and the regulated market. The statement shall be made public. The statement shall specify the premises underlying the supervision carried out by the regulated market, its implementation and the division of responsibilities between the Financial Supervisory

Authority and the regulated market. It shall also provide for the arrangements for the communication of information referred to in paragraph 1.

Article 139*Transparency in the work of the Financial Supervisory Authority*

The Financial Supervisory Authority may make public the results of cases and investigations relating to the provisions of this Act, unless such publication is considered to jeopardise the interests of the financial market, does not affect its interests as such or causes damage to the parties involved which is disproportionate to the offence in question. The Financial Supervisory Authority shall publish its policy on such publication.

Article 140*Regulation*

The Minister may establish further provisions on requirements concerning the mechanism for central storage in a regulation.

Chapter XV. Sanctions

Article 141*Administrative fines*

The Financial Supervisory Authority may impose administrative fines on any party violating:

1. Paragraph 1 of Article 44 on public offerings of securities and prospectuses;

2. Article 45 on information in the prospectus;

3. Paragraph 1 of Article 46 on supplements to the prospectus;

4. Paragraph 1 of Article 48 on annual information disclosure;

5. Article 57 on annual financial reports;

6. Article 58 on half-yearly financial reports;

7. Paragraph 1 of Article 59 on management statements;

8. Paragraph 1 of Article 62 on disclosure in the European Economic Area and the communication of information to the Financial Supervisory Authority;

9. Article 63 on the communication of information to the Financial Supervisory Authority;

10. Article 64 on languages;

11. Paragraphs 1-3 of Article 68 on the publication of information;

12. Article 69 on communicating draft amendments to a memorandum of association or articles of association to the Financial Supervisory Authority or regulated market;

13. Paragraph 1 of Article 73 on the publication of information under Chapter VIII and the communication of information to the Financial Supervisory Authority;

14. Article 74 on the communication of information to the Financial Supervisory Authority;

15. Article 75 on languages;

16. Paragraphs 1 and 2 of Article 78 on notification requirement;

17. Article 79 on notification requirements in special circumstances;

18. Article 84 on the obligation of an issuer to disclose to the public the total number of shares and the total number of voting rights on the last trading day of the calendar month in which changes occur;

19. Article 85 on the contents of notifications;

20. Article 86 on the time limits for required notifications;

21. Paragraph 1 of Article 87 on the time limit for an issuer to make information in a notification public;

22. Article 93 on the notification requirement regarding own shares;

23. Paragraph 1 of Article 95 on the publication by an issuer of information under Chapter IX and the communication of information to the Financial Supervisory Authority;

24. Article 96 on the communication of information to the Financial Supervisory Authority;

25. Article 97 on languages;

26. Paragraph 1 of Article 100 on mandatory bids;

27. Paragraph [8][1] of Article 100, paragraph 2 of Article 101 and Article 114 on offer documents;

28. [Paragraph 1 of Article 102 on the notification of a bid and paragraph 4 of Article 102 prohibiting takeover bids][1];

29. Paragraphs 1-7 of Article 103 on the terms of a bid;

30. Article 104 on the obligations of directors;

31. Paragraph 2 of Article 106 on the lapsing of a bid;

32. Paragraph 3 of Article 107 on the obligation to make amendments to bids public;

33. Paragraph 1 of Article 109 regarding information on bid results;

34. Article 116 on notifications by market makers;

35. Article 117 on market abuse and intermediation by a financial undertaking;

36. Article 122 on notification requirements, delay of public disclosure and lawful dissemination of insider information;

37. Article 123 on insider misconduct;

38. Paragraph 1 of Article 124 on intermediation by a financial undertaking;

39. Article 125 on the duty of primary insiders to investigate;

40. Article 126 on the duty of primary insiders to notify;

41. Article 127 on the notification of management's transactions;

42. Article 128 on lists of insiders;

43. Article 129 on notifications to insiders;

44. Article 130 on the supervision of treatment of insider information and insider trading;

45. Settlement between the Financial Supervisory Authority and a party, cf. Article 142.

In addition, the Financial Supervisory Authority may impose administrative fines on any party seriously or repeatedly violating Articles 5-21 and Article 25 concerning the rights and obligations of financial undertakings.

Fines imposed on a natural person may range in amount from ISK 10 thousand to ISK 20 million. Fines imposed on a legal person may range in amount from ISK 50 thousand to ISK 50 million. The determination of fines shall, *inter alia*, take account of the seriousness of the violation, its duration, the violating party's willingness to co-operate and whether the violation is repeated. Decisions on administrative fines shall be made by the board of directors of the Financial Supervisory Authority and are enforceable by law. Fines shall accrue to the State Treasury, net of collection costs. If administrative fines are not paid within a month from the decision of the Financial Supervisory Authority, penalty interest shall be paid on the amount of the fine. The determination and calculation of the penalty interest shall be governed by the Act on interest and price-level indexation.

Administrative fines will be imposed regardless of whether a violation is committed by intent or negligence.

[1)] *Act 22/2009, Art. 15.*

Article 142 If a party has violated the provisions of this Act, or the decisions of the Financial Supervisory Authority based on the Act, the Authority is permitted to conclude the matter by a settlement with the consent of the parties to the case, provided that no major violation is involved which is subject to punitive sanctions. The settlement is binding for a party to the case when that party has accepted and confirmed the substance of the settlement by its signature. The Financial Supervisory Authority will establish further rules[1)] on the implementation of this provision.

[1)] *Reg. 1245/2007.*

Article 143 In proceedings directed against a natural person which may potentially conclude with the imposition of an administrative fine or formal charges to the police, a person reasonably suspected of violation of the law is entitled to refuse to answer questions or surrender documents or any other effects unless it is possible to exclude the possibility that this may have significance for the determination of his or her violation. The Financial Supervisory Authority shall advise the suspect of this right.

Article 144 The power of the Financial Supervisory Authority to impose administrative fines pursuant to his Act shall lapse when seven years have passed from the time that the conduct ceased.

The limitation period under paragraph 1 is interrupted when the Financial Supervisory Authority notifies the party of an investigation of the alleged violation. The interruption of the limitation period has legal effect for all the parties involved in the violation.

Article 145 *Fines or imprisonment of up to two years*

Violation of the following provisions is subject to fines or up to two years' imprisonment, if there are no more severe sanctions under other legislation:

1. Paragraph 1 of Article 44 on public offerings of securities and prospectuses;

2. Article 45 on information in the prospectus;

3. Paragraph 1 of Article 46 on supplements to the prospectus;

4. Paragraph 1 of Article 48 on annual information disclosure;

5. Paragraphs 1 and 2 of Article 78 on notification requirement;

6. Article 79 on notification requirement in special circumstances;

7. Article 93 on notification requirement regarding own shares;

8. Paragraph 1 of Article 100 on mandatory bids;

9. Paragraph [8][1] of Article 100 and paragraph 2 of Article 101 on offer documents;

10. [Paragraph 1 of Article 102 on the notification of a bid and paragraph 4 of Article 102 prohibiting takeover bids][1];

11. Paragraphs 1-7 of Article 103 on the terms of a bid;

12. Article 104 on the obligations of directors;

13. Paragraph 2 of Article 106 on the lapsing of a bid;

14. Paragraph 1 of Article 109 regarding information on bid results;

15. Article 116 on notifications by market makers;

16. Article 122 on notification requirements, delay of public disclosure and lawful dissemination of insider information;

17. Article 125 on the duty of primary insiders to investigate;

18. Article 126 on the duty of primary insiders to notify;

19. Article 127 on the notification of management's transactions;

20. Article 128 on lists of insiders;

21. Article 130 on the supervision of treatment of insider information and insider trading.

[1)] Act 22/2009, Art. 16

Article 146*Fines or imprisonment of up to six years*

Violation of the following provisions is subject to fines or up to six years' imprisonment, if there are no more severe sanctions under other legislation:

1. Paragraph 1 of Article 117 on market abuse;

2. Paragraph 2 of Article 117 and paragraph 1 of Article 124 on intermediation by a financial undertaking;

3. Article 123 on insider misconduct.

Article 147 Violations of this Act which are subject to fines or imprisonment are subject to sanctions whether committed by intent or negligence.

Direct or indirect profit gained by a violation of the provisions of this Act which is subject to fines or imprisonment may be confiscated by a judgment of a court of law.
Attempted violations or participation in violations pursuant to this Act are punishable under the provisions of the General Penal Code.

Article 148[Violations of this Act are subject to police investigation only following charges submitted by the Financial Supervisory Authority.][1)]

If an alleged violation of this Act is subject to both administrative fines and penal sanctions, the Financial Supervisory Authority shall assess whether the case should be referred to the police or concluded by an administrative decision of the Authority. If the violations are major, the Financial Supervisory Authority is required to refer them to the police. A violation is major if it involves significant amounts, if the violation is of a particularly gross nature or under any conditions that significantly aggravate the criminality of the violation. Furthermore, the Financial Supervisory Authority may, at any stage of an investigation, refer a case involving violation of this Act for [police investigation].[1)] Consistency shall be maintained in the resolution of comparable cases.

Referrals by the Financial Supervisory Authority shall be accompanied by copies of the documents on which the suspicion of violation is based. The provisions of Chapters IV-VII of the Administrative Procedure Act shall not apply to any decision of the Financial Supervisory Authority to refer a case to the police.

The Financial Supervisory Authority is permitted to supply the police and prosecuting authorities with information and documents obtained by the Authority and relating to the violations specified in the second paragraph. The Financial Supervisory Authority is permitted to participate in police actions relating to their investigation of the violations specified in the second paragraph.

The police and prosecuting authority are permitted to supply the Financial Supervisory Authority with information and documents obtained by the police and relating to the violations specified in the second paragraph. The police is permitted to participate in actions taken by the Financial Supervisory Authority relating to investigation of the violations specified in the second paragraph.

If the prosecutor is of the opinion that there are no grounds for legal action in relation to alleged criminal conduct which is also subject to administrative sanctions, the prosecutor may refer the case back to the Financial Supervisory Authority for process and decision.

[1)]Act 88/2008, Art. 234.

Chapter XVI. Entry into force, etc.

Article 149*Transposition*

This Act is passed for the transposition into Icelandic law of the provisions of the Council Directives 89/298/EEC, co-ordinating the requirements for the drawing-up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public, 89/592/EEC, co-ordinating regulations on insider dealing, 2001/34/EC, on co-ordination of the admission of securities to official stock exchange listing and on information to be published on those securities, 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, and Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

In addition, the provisions of this Act transpose into Icelandic law the provisions of Directive 2003/6/EC of the European Parliament and of the Council on insider dealing and market manipulation (market abuse), Commission Directive 2003/124/EC implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the definition and public disclosure of inside information and the definition of market manipulation, Commission Directive 2003/125/EC implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest, Commission Directive 2004/72/EC implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of management's transactions and the notification of suspicious transactions, Commission Regulation 2273/2003/EC implementing Directive 2003/6 of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments, Directive 2004/25/EC of the European Parliament and of the Council on takeover bids, and Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Article 150 *Entry into force*

This Act is effective as of 01 November 2007.

Interim provisions

IParties licensed to operate an MTF under Article 34 of Act No. 34/1998 on the activities of stock exchanges and regulated OTC markets shall, upon entry into force of this Act, obtain a licence to operate an MTF under this Act.

IIIf, at the time of entry into force of this Act, a financial undertaking is engaged in business with a party treated as a professional client on the basis of professional assessment of the party as having sufficient knowledge and experience to make its own investment decisions, the financial undertaking may continue to categorise the party in question as a professional client. The financial undertaking shall notify the professional client in question of such a decision.

IIIThe publication of annual financial reports, or consolidated accounts, if applicable, for the financial year 2007 shall take place in accordance with the provisions of Article 57.The first financial year covered by Articles 58 and 59 is the financial year 2008.

IVIf a holder of shares held more than 40% of the voting rights in a company listed on a regulated market as at 1 July 2003, the holder of shares shall not be obliged to make a mandatory bid pursuant to Article 100 of this Act, provided that the holder of shares does not increase its voting rights in the company in excess of the next multiple of five. The same shall apply if a party had, on the basis of an agreement with other shareholders, rights to control 40% of the voting rights in the company as at 1 July 2003.

V A party which controlled a company on 1 July 2005 on the basis of acting in concert under Article 37 of Act No. 33/2003, cf. Act No. 31/2005, is not obliged to make a mandatory bid on the entry into force of this Act, provided that the party does not increase its voting rights in excess of the next multiple of five.

[VI If a shareholder held a minimum of 30% of the voting rights in a company which has had its financial instruments admitted to trading on a regulated market prior to 1 April 2009, such shareholder is granted time until 31 March 2011 to comply with the obligation to notify or to reduce holdings so as to take them below the takeover threshold. If such shareholder increases his/her holdings during the period, the rules of the Act on mandatory takeovers shall apply. The same time limit applies if a person has held control of a company in concert with another person pursuant to Article 100 of the Act The Financial Supervisory Authority is permitted to extend the time limits in the first sentence of this provision twice, for six months each time, if market conditions make it unreasonable to call on a person to sell off shares so as to take them below the takeover threshold within the time limit granted.**]**[1]

[1)]Act 22/2009, Art. 17