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The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Act No. 110/2007 on Stock Exchanges

Act on Stock Exchanges

2007 No. 110 26 June

Passage through the Althing. Legislative bill.

Entered into force on 1 November 2007. *EEA Agreement: Annex IX, Directive 2004/39/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).*

Chapter I

Scope and definitions

Article 1 *Scope*

This Act shall apply to stock exchanges and regulated markets.

Article 2 *Definitions*

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

1. *Stock exchange*: A limited liability company licensed under this Act to operate a regulated market.
2. *Regulated market*: A multilateral trading system within the European Economic Area which brings together buyers and sellers of financial instruments, in accordance with its nondiscretionary rules, in a way that results in contracts in respect of the financial instruments admitted to trading under the trading system.
3. *Multilateral trading facility (MTF)*: A market as defined in the Act on securities transactions.
4. *Official listing*: Listing by the Financial Supervisory Authority of securities in an official list, subject to the requirements for such listing.
5. *Admission of a financial instrument to trading*: Approval by a stock exchange of the start of trading in a financial instrument on a regulated market subject to its rules under Article 22.
6. *Market participant*: A party authorised to submit quotes and trade in a regulated market.
7. *Financial instrument*: A legal instrument as defined in the Act on securities transactions.
8. *Security*: A legal instrument as defined in the Act on securities transactions.
9. *Systematic internaliser*: A financial undertaking operating as a systematic internaliser pursuant to the Act on securities transactions.
10. *Close links*: Links between parties as defined in the Act on financial undertakings.

CHAPTER II

Licence to operate a regulated market

Article 3 *Operating licence*

Activities provided for in this Act are permitted only to limited liability companies possessing an operating licence from the Financial Supervisory Authority. An operating licence will be issued only to parties meeting the following conditions on the issue of the licence:

1. That the articles of association of the company are not contrary to the provisions of law and that there is no reason to assume that the company will not conduct its activities in compliance with law.
2. That share capital pursuant to Article 8 has been paid in full.
3. That the parties who own, or propose to own, a qualifying holding in the company are qualified to exercise their holdings with regard to the sound and prudent operation of a regulated market.
4. That the company meets any other conditions of this Act.

Article 4 *Application for operating licence*

Applications for a licence to operate a regulated market shall be made in writing and include sufficient information to enable determination of whether the conditions of the Act for the granting of an operating licence have been met. The application shall be accompanied by the following:

1. The articles of association of the company;
2. Information on organisational structure, including information on the manner in which the proposed activities will be conducted and the rules concerning the trading and information systems that will be used in the activities;
3. Information on the internal organisation of the undertaking, including rules on monitoring and procedure;
4. An operating budget revealing, *inter alia*, the proposed growth and structure of equity;
5. Information on founders and shareholders pursuant to Article 18;
6. Information on members of the board of directors, managing director and other managers;
7. Confirmation by an auditor of payment of share capital or initial capital;
8. Information on any close links of the undertaking with any natural or legal persons;
9. Information on the conditions applicable to membership of the market and an estimate of the prospective market participants and the types of financial instruments proposed for admission to trading;
10. Any other relevant information, as decided by the Financial Supervisory Authority.

Decisions of the Financial Supervisory Authority concerning operating licences shall be notified to applicants as promptly as possible, and no later than three months following receipt of a complete application. Refusals by the Financial Supervisory Authority of applications shall be reasoned.

When a limited liability company operating a regulated market has decided to amend its articles of association, the amendments shall be notified with four weeks' notice to the Financial Supervisory Authority.

The Financial Supervisory Authority will grant to a stock exchange a licence to operate a multilateral trading facility (MTF), subject to compliance with Chapter IV of the Act on securities transactions.

Article 5 *Withdrawal of operating licence*

The Financial Supervisory Authority may withdraw a licence to operate a regulated market, entirely or in part, if any of the following conditions apply:

1. The company does not make use of the licence within 12 months, expressly renounces the licence or ceases its business activities for more than six consecutive months;
2. It is revealed that the company has obtained the licence on the basis of false statements or by any other irregular means;
3. The company no longer meets the conditions under which the operating licence was granted;
4. The company has seriously or repeatedly infringed legislation or rules governing its operation;
5. Any members of the board of directors or the managing director of the company do not meet the conditions of Article 11, or the operation of the licensee is prevented by the provisions of paragraph 4 of Article 18;
6. It is the opinion of the Financial Supervisory Authority that close links between the licensee and any natural or legal persons may prevent the normal exercise of its supervisory functions, or legislation and rules applicable to such parties will prevent normal supervision or prejudice the integrity of the market;
7. The estate of the licensee has been subjected to bankruptcy proceedings or the company has been dissolved for other reasons.

The withdrawal of an operating licence shall be notified to the board of directors of the licensee in question and reasoned in writing. A notice of the withdrawal shall be published in the Official Gazette (*Lögbirtingarbladið*) and in the media.

Article 6 *On designations*

Only companies that have been issued a licence pursuant to this Act are permitted to use in their firm names, or in further explanation of their business activities, the words *stock exchange* and *securities market*, either alone or in conjunction with other words.

Article 7 *Regulation*

The Minister may establish in a regulation further provisions concerning application for operating licences and the granting and withdrawal of such licences.

CHAPTER III

Establishment and functions of stock exchanges

Article 8 *Share capital*

The paid-in capital of a stock exchange shall amount to a minimum of ISK 65 million, and never less than an amount corresponding to EUR 730,000 based on the officially posted exchange rate at any time.

Notwithstanding the provisions of paragraph 1, the Financial Supervisory Authority may decide on higher minimum share capital for a stock exchange based on the scope of the operation and attendant risk factors, and in the light of the requirements of Article 10.

The book equity of a stock exchange shall not at any time fall below the amount provided for in paragraph 1 or determined pursuant to paragraph 2.

Article 9 *Professional liability of a stock exchange*

A stock exchange shall maintain in effect professional liability insurance coverage for any financial losses of customers that may be attributed to negligence in the work of the stock exchange or its employees. The insurance shall cover losses up to ISK 50 million for each event of damage and up to ISK 100 million in any insurance year. These amounts shall be adjusted monthly in proportion to changes in the consumer price index from the entry into force of the Act. Further provisions on the scope of insurance coverage may be established by regulation.

Article 10 *Obligations of stock exchanges*

A stock exchange is responsible for the sound and prudent operation of a regulated market.

A stock exchange shall:

1. Identify and react to any conflicts of interest which could prejudice the integrity of the market or the interests of participants in the market;
2. Control any risk which may be attached to the operation, which includes identifying any risks and putting in place measures to minimise them;
3. Ensure the secure operation of technical systems, including contingency arrangements to react to unforeseen events which could disrupt their working;
4. Ensure that trading in the market is conducted in an honest and fair manner and ensure the efficient execution of orders, e.g. by means of clear rules;
5. Take measures to ensure the secure finalisation of transactions in the market;
6. To have available, at all times, sufficient financial resources to carry out its role, having regard to the nature and extent of the transactions in the market and their attendant risks.

Article 11 *Board of directors and managing director*

The board of directors of a stock exchange shall be composed of a minimum of five members.

The members of the board and managing director shall be legally competent and of good repute. They shall not, in the preceding five years, have been declared bankrupt, nor, in connection with business operations, have been sentenced by a court of law for any criminal act under the General Penal Code, the Competition Act, this Act or

legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxes, or any special legislation governing parties who are subject to public surveillance of financial activities.

In addition to the above conditions, the board members and managing director shall possess adequate knowledge and professional experience to discharge their duties in a proper manner. They shall not have exhibited any conduct which gives occasion to believe that they will abuse their position or damage the company.

The stock exchange shall notify the Financial Supervisory Authority of any changes in the appointment of the board of directors or managing director. The notice shall be sent before the change takes place, insofar as this may be possible, and include sufficient information for an assessment to be made of the competence of the new board member or managing director pursuant to this Article.

The Financial Supervisory Authority shall reject the taking of seats by new board members or the taking up of duties by a new managing director if a risk is perceived of the change being prejudicial for the operation of a regulated market.

Members of the board and managing directors of a regulated market are qualified to manage a Multilateral Trading Facility (MTF).

Article 12 *Shareholdings and trading by employees*

The managing director and other employees of a stock exchange are not permitted, without the authorisation of the board of directors, to serve on the boards of organisations or business undertakings or participate in business operations in other respects. Holding shares in a company constitutes participation in business operations except in the case of insignificant holdings which do not have a decisive impact on their management and primarily constitute investment of savings.

Securities trading by board members and employees of a stock exchange are subject to rules established by the Financial Supervisory Authority.

Article 13 *Confidentiality*

Board members, all employees, auditors and any persons undertaking any work in the interests of a stock exchange and regulated market are bound by confidentiality regarding all matters relating to the interests of customers and to the affairs of the company, as well as any other matters which may come to their knowledge in the course of their work and which are confidential by law or by nature, except in the event of a court decision to the effect that information shall be made available before the courts or to the police, or in the event of an obligation to provide such information by law. The confidentiality shall remain in place even after employment ceases.

Notwithstanding the provisions of paragraph 1, a stock exchange is permitted to co-operate with foreign regulated markets, or legally competent authorities outside Iceland, and supply them with information, provided that the foreign parties in question meet requirements for corresponding confidentiality and are subject to regulation in their home country. Information received by a stock exchange from the said foreign parties which is identified as confidential or which is confidential by the nature of the circumstances, shall be subject to the provisions of paragraph 1.

Article 14 *Other activities*

A stock exchange is permitted to engage in business activities other than the operation of a regulated securities market, provided that such activities are undertaken in the normal context of the activities of the market and provided that adequate measures are taken to prevent conflicts of interest. [A stock exchange is permitted to intermediate in the registration of assets in a securities depository.]¹⁾

As stock exchange is also permitted to engage in the ancillary business of providing its services to parties outside the market.

A stock exchange shall notify the Financial Supervisory Authority in advance of any proposed business activities pursuant to this Article. The Financial Supervisory Authority may decide that business activities pursuant to paragraphs 1 and 2 should be conducted within a separate company.

¹⁾Act 96/2008, Art. 9.

Article 15 *Activities within the European Economic Area*

A stock exchange intending to take measures in another state within the European Economic Area in order to facilitate participation by persons in the other state in trading in a regulated market or Multilateral Trading Facility (MTF) shall notify such plans to the Financial Supervisory Authority. The Financial Supervisory Authority shall send the information to the competent authorities in the state in question within one month from receipt of the notification.

Article 16 *Annual financial report*

The annual financial report of a stock exchange shall be audited by a chartered accountant or accounting firm.

The auditor shall be given access to all the assets, books and source documents and other documents of the company, and, in addition, the board of directors and employees shall provide the auditor with all requested information that can be provided.

The audited annual accounts, together with [the report of the board of directors],¹⁾ shall be sent to the Financial Supervisory Authority within three months from the close of the fiscal year in a form determined by the Authority.

In the event that an auditor finds any significant operational deficiencies or any issues which might weaken the financial position of the stock exchange, or issues having the consequence that the auditor would refuse to endorse the accounts, or endorse them with a reservation, and also if the auditor has reason to believe that any laws, regulations or rules applicable to the company have been violated, the auditor shall notify its board of directors and the Financial Supervisory Authority. This applies also to comparable issues that come to the knowledge of the auditor and concern a company with close links to the stock exchange in question.

A notice sent by an auditor pursuant to paragraph 4 does not constitute a breach of confidentiality, whether statutory or contractual.

¹⁾Act 96/2008, Art. 10.

Article 17 *Preparation of statistics and supply of information*

A stock exchange is permitted, on its own initiative or at the request of an external party and in compliance with authorisation in other legislation, to process and publish statistics and other information for the benefit of the market on the basis of data which it has in its possession or obtains by other means concerning trading in the market.

Article 18 *Qualifying holding*

Parties seeking to acquire a direct or indirect holding in a stock exchange possessing an operating licence in Iceland to operate a regulated market which amounts to a minimum of 10% of the shares or voting rights, or less if the holding makes it possible to exercise a significant influence over the management of the company, shall seek the approval of the Financial Supervisory Authority.

The Financial Supervisory Authority may deny an applicant approval if the Authority is of the opinion that the holding will prejudice the sound or prudent operation of the regulated market. The decision of the Financial Supervisory Authority shall be in writing, and shall be delivered to the applicant within one month from the time that the Authority received satisfactory information together with relevant documents. If the decision of the Financial Supervisory Authority is not received within that time, the Authority is regarded as having approved the application. Refusal of an application shall be accompanied by reasoning.

If a party does not apply for permission from the Financial Supervisory Authority in acquiring a qualifying holding pursuant to paragraph 1, the voting rights of the shares in excess of the permitted limits will be suspended. The same applies if the Financial Supervisory Authority refuses its permission for the exercise of a qualifying holding.

If a shareholder holding a share of the size specified in paragraph 1 exercises his/her holding so as to prejudice the sound or prudent operation of the company, in the opinion of the Financial Supervisory Authority, the Authority may decide that no votes should be attached to the share, or instruct the company to take appropriate action or demand the sale of the share. Such shares shall not be counted in calculating the number of shares represented at shareholders' meetings.

A stock exchange shall publicly disclose the ownership of the company and any changes in ownership. Furthermore, the parties falling within the scope of paragraph 1 shall be disclosed as well as the nature of their influence.

The Minister may, by regulation, establish further rules concerning the contents of applications to the Financial Supervisory Authority relating to qualifying holdings in a stock exchange, concerning evaluation of the qualifications of applicants, concerning the processing of applications, concerning the exercise of permission, concerning recourses if no application is submitted for authorisation, concerning notices by owners of sales of qualifying holdings and concerning recourses if an owner is not qualified to exercise a qualifying holding.

CHAPTER IV

Membership of a regulated market

Article 19 *Market membership*

A stock exchange shall establish rules on membership of a regulated market providing for the obligations incumbent on market membership. Such rules shall be transparent, objective and non-discriminatory.

Membership is open to financial undertakings in Iceland and elsewhere in the European Economic Area possessing a licence to carry out instructions on behalf of clients or engaging in trading for their own account, the Central Bank of Iceland and other central banks in the European Economic Area and other parties who:

1. Are fully qualified;
2. Have adequate capacity to engage in trading;
3. Fulfil, where applicable, organisational requirements;
4. Possess adequate finances to carry out the actions that they are intended to carry out.

As soon as an application for membership of a regulated market has been approved, the Financial Supervisory Authority shall be notified. The stock exchange shall also inform the Financial Supervisory Authority on a quarterly basis of the membership of the regulated market.

Market participants who are not under the supervision of the Financial Supervisory Authority shall, at the Authority's request, provide information on their trading in the market.

Article 20 *Termination of membership agreements*

If a member of a regulated market repeatedly or grossly violates the conditions established in a membership agreement, the stock exchange is permitted to terminate the agreement unilaterally or take more lenient action, e.g. by suspension of membership of the regulated market. In the event that a stock exchange takes action pursuant to this Article, the exchange shall promptly report such action to the Financial Supervisory Authority.

Article 21 *Monitoring of trading by a stock exchange*

A stock exchange shall monitor compliance by market participants with the laws, rules and conventions applicable to trading in a regulated market and operate an appropriate trade monitoring system.

A stock exchange is required to notify the Financial Supervisory Authority of any suspicion or knowledge of any violation of laws, regulations or other rules applicable to trading in a regulated market or any gross or repeated violation of the rules of the stock exchange.

A stock exchange shall provide the authorities with appropriate information and assistance for any investigation or prosecution arising out of suspicion of criminal conduct in a regulated market or through its market systems.

CHAPTER V

Admission of financial instruments to trading etc.

Article 22 *Admission of financial instruments to trading*

A stock exchange shall establish clear and transparent rules on the admission of financial instruments to trading in a regulated market. The rules shall ensure that any financial instruments admitted to trading in the market are capable of being traded in a fair, orderly and efficient manner and, in the case of securities, are freely negotiable. The rules shall also ensure that the design of derivative contracts allows for their orderly pricing as well as for the existence of effective settlement conditions. Prior to establishing rules on the admission of financial instruments to trading, or any amendments of such rules, a stock exchange shall notify the Financial Supervisory Authority four weeks in advance.

Prior to admitting a financial instrument to trading in a regulated market a stock exchange shall verify compliance with the rules of paragraph 1. Furthermore, a stock exchange shall ensure, as regards securities, that a verified description is available and that the issuer complies with disclosure rules.

A stock exchange shall regularly review the compliance of financial instruments with admission requirements. A stock exchange shall monitor that issuers of securities admitted to trading in a regulated market comply with issuers' disclosure obligations and ensure the access of market participants to such disclosed information.

The Minister shall, in a regulation, issue further provisions on the admission of financial instruments to trading on a regulated market and the conditions that financial instruments need to fulfil pursuant to this Article.

Article 23 *Admission of securities to trading without the consent of the issuer*

A stock exchange may admit a security to trading in a regulated market without the consent of the issuer in the case of securities already admitted to trading in another regulated market in the European Economic Area. The stock exchange shall notify the issuer that trading is being conducted in the market.

The issuer of a security who has not granted consent for admission to trading pursuant to paragraph 1 is not subject to any obligation to provide information to the regulated market in question.

Article 24 *Removal of financial instruments from trading and suspension of trading*

A stock exchange may suspend or remove from trading a financial instrument which no longer complies with the requirements made for admission to trading, or if its issuer does not comply with the rules of a regulated market, unless such action would be likely to cause significant damage to investors' interests or have a negative impact on the integrity of the market.

An issuer who has had securities admitted to trading in a regulated market may submit a written request for the securities to be removed from trading. A stock exchange shall grant such a request on receipt of a written reasoning for the request. A stock exchange may decide not to remove the securities from trading if such an action would be likely to cause significant damage to investors' interests or have a negative impact on the integrity of the market. A stock exchange may also decide to publish the reasoning of the issuer, in part or in full. However, an issuer may always have its securities removed from trading if they are admitted to trading in another regulated market.

A stock exchange shall make public its decisions on suspensions of trading and removals from trading and send the appropriate information to the Financial Supervisory Authority. The Financial Supervisory Authority shall forward the information to the competent regulatory authorities in the European Economic Area.

Article 25 *Admission of the securities of stock exchanges to trading*

The powers conferred under Article 22 shall be vested in the Financial Supervisory Authority when a stock exchange in Iceland, or in another country within the European Economic Area, applies for the admission of its own shares to trading in a regulated market. Furthermore, the powers conferred under Article 24 shall be vested in the Financial Supervisory Authority when securities pursuant to this Article have been admitted to trading in a regulated market.

Article 26 *Official listing of securities:*

The Financial Supervisory Authority may, following receipt of an application from the issuer of equity shares, depositary receipts in respect of shares or bonds, officially list the securities in question if they are admitted to trading, or intended for admission to trading, in a regulated market.

The Financial Supervisory Authority may, by contract, entrust a stock exchange with official listing pursuant to paragraph 1.

The Minister will issue a regulation concerning the official listing of securities.

Article 27 *Membership of a regulated securities market, etc.*

The rules of a stock exchange concerning the settlement of transactions shall ensure that market participants have the right to designate a settlement system other than the system chosen by the stock exchange, provided that the necessary links and arrangements between the designated settlement system and other systems are in place, and the Financial Supervisory Authority agrees that the technical conditions for the settlement of transactions will ensure the secure operation of the regulated market in question.

CHAPTER VI

Transparency in a regulated market

Article 28 *General provision on transparency*

For the purpose of maintaining reasonable transparency, a stock exchange shall post information on quotes and transactions involving financial instruments admitted to trading in the regulated market to the extent necessary in light of the nature and scope of activities.

Article 29 *Pre-trade transparency*

A stock exchange shall publicly disclose information on bid and offer prices and the depth of trading interests at those prices in respect of shares admitted to trading in a regulated market. The information shall be made available to the public on a continual basis during normal trading hours on reasonable commercial terms.

If a stock exchange grants access to its systems to systematic internalisers for the purpose of making public information on their quotes, this shall be done on reasonable commercial terms and in a non-discriminatory manner.

The Financial Supervisory Authority may grant an exemption to a stock exchange from publishing information on quotes pursuant to paragraph 1 based on the nature of the market or type or size of quotes.

The Minister shall issue a regulation concerning the obligation to publish information in accordance with paragraph 1 and the conditions for exemption from publishing information pursuant to paragraph 3. The Minister may issue a regulation on the obligations of stock exchanges to publish information on bids and offers and the scope of quotes made in a regulated market in respect of financial instruments other than equity shares.

Article 30 *Post-trade transparency*

A stock exchange shall publicly disclose information on the price, scope and times of transactions involving equity shares admitted to trading in a regulated market. The information shall be disclosed on reasonable commercial terms and as near to real time as possible.

If a stock exchange provides a financial undertaking required to disclose information on transactions pursuant to the Act on Securities Transactions with access to the system used to publish trading information pursuant to paragraph 2, this shall be done on reasonable commercial terms and on a non-discriminatory basis.

A stock exchange may establish its own rules on delaying the disclosure of information owing to the scope or type of transaction. The rules shall comply with the conditions of the regulation provided for in paragraph 4 and have the prior approval of the Financial Supervisory Authority. The stock exchange shall ensure that market participants and investors are informed of the delay.

The Minister shall issue a regulation concerning the obligation to publish information in accordance with paragraph 1 and the conditions for delays in publishing information pursuant to paragraph 3. The Minister may issue a regulation on the obligations of stock exchanges to publish information on the price, scope and times of transactions conducted in a regulated market involving financial instruments other than equity shares.

CHAPTER VII

Surveillance

Article 31 The Financial Supervisory Authority will monitor the compliance of the business activities of stock exchanges and regulated markets with this Act, rules or regulations established hereunder, or conventions applicable to the activities. For this purpose, the Financial Supervisory Authority shall be granted access to all data and information concerning business activities conducted pursuant to this Act which it considers necessary.

The Financial Supervisory Authority may require any data or information from natural persons or legal persons who own, or intend to own or control, a share in a limited liability company operating pursuant to this Act for the purpose of assessing whether they fall within the scope of the disclosure requirement pursuant to Article 18 and whether they are qualified to exercise a qualifying holding. The Financial Supervisory Authority may require the same information from natural persons or legal persons who have sold a share or intermediated in a transaction involving a share. The provisions of law concerning confidentiality do not restrict the obligation to provide information and access to data.

If the Financial Supervisory Authority is of the opinion that business activities pursuant to this Act are being conducted without the required authorisation, the Authority may demand any documents and information from the parties in question which may be necessary to determine whether this is the case. The Authority may require the immediate cessation of such activities. Furthermore, the Authority is permitted to disclose publicly the names of parties who are seen to be offering services without the required authorisation.

The Financial Supervisory Authority is permitted to require the suspension of transactions involving financial instruments, or the permanent removal of such instruments, if they no longer meet the requirements for admission to trading or if the issuer of securities does not comply with the rules of a regulated market. The Financial Supervisory Authority shall forward the information to the competent regulatory authorities in the European Economic Area.

The Financial Supervisory Authority shall publicly announce any suspension of transactions and removal of financial instruments from trading. The Financial Supervisory Authority shall forward the information to the competent regulatory authorities in the European Economic Area.

In the event that the Financial Supervisory Authority receives a communication from a competent authority in another state within the European Economic Area to the effect that a competent authority has suspended trading with a financial instrument, or permanently removed an instrument from trading in a regulated market, the

Financial Supervisory Authority shall decide to suspend trading in the same financial instrument in the regulated market in Iceland, except where such action could cause significant damage or have a negative impact on the integrity of the market.

Surveillance pursuant to this Act is in other respects subject to the provisions of the Act on official supervision of financial operations. The provisions of that Act concerning daily fines, sanctions and searching for and seizing documents may be exercised in gathering information and conducting surveillance pursuant to this Act.

Article 32 If the Financial Supervisory Authority is of the opinion that a stock exchange operating pursuant to the provisions of this Act, the Act on securities transactions or rules or regulations established on the basis of these acts of law, or if the conduct of companies or organisations is in other respects irregular, unsound or imprudent, the Authority shall grant to the party in question a reasonable time to take corrective action, unless the violations are serious.

In the event of violations of this Act, the Financial Supervisory Authority is furthermore authorised to demand immediate corrective action and to suspend any further activities if special circumstances warrant.

If a stock exchange has not responded to the repeated recommendations of the Financial Supervisory Authority concerning corrective action pursuant to this Act, the Authority may revoke its operating licence, as provided in Article 5.

CHAPTER VIII

Sanctions

Article 33 *Administrative fines*

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

1. The first sentence of Article 3 to the effect that activities which are subject to an operating licence shall not be conducted without an operating licence;
2. Article 6 on designation;
3. Paragraph 1 of Article 9 on the professional liability insurance of stock exchanges;
4. Article 10 on the obligations of stock exchanges;
5. Paragraphs 2 and 4 of Article 11 on the qualifications of board members and managing directors and notification of the constitution of the board of directors;
6. Paragraph 1 of Article 12 on the participation by employees in business operations and trading by the directors and employees of a stock exchange;
7. Paragraph 1 of Article 13 on confidentiality;
8. Article 16 on auditing and the submission of an annual financial report to the Financial Supervisory Authority;
9. Paragraph 1 of Article 18 on qualifying holdings;
10. Paragraph 3 of Article 19 on the submission to the Financial Supervisory Authority of notices of approval of membership of a stock exchange;
11. The second sentence of Article 20 on the requirement of a stock exchange to report to the Financial Supervisory Authority any action taken in response to a violation of the conditions of a membership agreement;
12. Article 21 on the monitoring requirement of a stock exchange;
13. The fourth sentence of paragraph 1 of Article 22 on the obligation of a stock exchange to notify of any establishment or amendment of rules governing the admission of financial instruments to trading in a regulated market;
14. Paragraph 3 of Article 24 on making public the suspension of trading and removal from trading;
15. Articles 29 and 30 concerning transparency in a regulated securities market;
16. Settlements between the Financial Supervisory Authority and parties pursuant to Article 34.

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 cooperate 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 indexation.

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

Article 34 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 rules¹⁾ on the implementation of this provision.

¹⁾Reg. 1245/2007.

Article 35 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 36 The power of the Financial Supervisory Authority to impose administrative fines pursuant to his Act shall lapse when five years have passed from the time that the conduct ceased.

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

Article 37 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. The first sentence of Article 3 to the effect that activities which are subject to an operating licence shall not be conducted without an operating licence;
2. Paragraph 1 of Article 12 on the participation by employees in business operations and trading by the managers and employees of a stock exchange;
3. Paragraph 1 of Article 13 on confidentiality;
4. Article 16 on auditing and the submission of an annual financial report to the Financial Supervisory Authority.

Article 38 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 39 [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 IX

Entry into force, etc.

Article 40 The Minister is authorised to establish further rules by regulation on the enforcement of this Act.¹⁾

¹⁾*Reg. 994/2007.*

Article 41 This Act constitutes the implementation of Directive 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, as incorporated into the Agreement on the European Economic Area by a decision of the EEA Joint Committee No. 65/2005 of 29 April 2005.

Article 42 This Act shall enter into force on 1 November 2007. ?

Interim provisions

Active limited liability companies already possessing a licence from the Minister to operate a stock exchange or regulated market shall retain their licence to operate a regulated market on the entry into force of this Act.