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# Act No. 131/1997 on electronic registration of rights of title to securities

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*Passage through the Althing. Legislative bill.*

**Entered into force on 1 January 1998.** Amended by Act No. 84/1998 (entered into force 1 January 1999), Act No. 32/2000 (entered into force 26 May 2000), Act No. 77/2000 (entered into force 1 January 2001), Act No. 164/2000 (entered into force 29 December 2000), Act No. 147/2001 (entered into force 31 December 2001), Act No. 76/2002 (entered into force 17 May 2002) Act No. 67/2006 (entered into force 24 June 2006), Act No. 108/2006 (entered into force 1 November 2006 by notice C 1/2006); Act No. 55/2007 (entered into force 3 April 2007), Act No. 64/2008 entered into force 12 June 2008), Act No. 88/2008 (entered into force 1 January 2009, except for Interim Provision VII, which took effect 21 June 2008) and Act No. 96/2008 (entered into force 24 June 2008).

## CHAPTER I.

### General provisions

**Article 1** This Act shall apply to the electronic issue of securities and the registration of rights of title to such instruments.

Only a central securities depository which has been granted an operating licence pursuant to this Act is authorised to issue electronic securities and register rights of title to them with the subsequent legal effect provided for in this Act.

**Article 2** For the purposes of this Act the following definitions shall apply:

*electronic security:* a transferable, electronically registered security;

*registration of rights of title:* issuing of electronic securities in a central securities depository and registration of [rights]<sup>1)</sup> to them;

*central securities depository:* a limited liability company which is responsible for the registration of rights of title to electronic securities;

*account operator:* a company or organisation serving as an intermediary in the registration of rights of title to electronic securities in a central securities depository;

*final entry:* the final testing and entering of a registration of a right of title in a central securities depository in accordance with notifications sent to the depository;

*account:* a register of the final entries of an account holder of electronic securities in a central securities depository;

[*finalisation:* final settlement of the transactions of account operators involving electronic securities and full performance thereof, such as by clearing or monetary payments which form the basis for a final entry in the account of a central securities depository.]<sup>1)</sup>

<sup>1)</sup>Act 32/2000, Art. 1.

**Article 3** The Minister of Business Affairs shall grant a central securities depository an operating licence following receipt of the comments of the [Financial Supervisory Authority].<sup>1)</sup> Applications for an operating licence shall be made in writing. Such licences shall be granted only to registered limited liability companies which fulfil the following conditions:

1. paid-up share capital shall amount to a minimum of ISK 65 million, with the amount linked to the buying rate of the European Currency Unit (ECU) and based upon the official rate of exchange on the date of entry into force of this Act;

2. an adequate operating budget shall be available, based on sound premises, in addition to a security plan and an organisation chart;

3. the conditions of Article 30 of this Act concerning a guarantee fund shall be fulfilled.

The Minister's decision on an application for an operating licence shall be notified to the applicant in writing as promptly as possible and no later than three months following receipt by the Minister of a completed application. The Minister's refusal of an application shall be reasoned in writing. A central securities depository is not permitted to commence operation until its share capital is fully paid up.

A central securities depository is not permitted to engage in activities other than those provided for in this Act or normally connected with such activities.

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 4** A central securities depository shall have at least three members on its board of directors, who shall be permanent residents of Iceland, be of legal age, have an unblemished reputation, be competent to manage their own finances, and they shall not, over the preceding five years, have been convicted of any offence connected with any commercial activity which is punishable under the Penal Code or legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxes.

Nationals of Contracting Parties to the Agreement on the European Economic Area are exempt from the residence requirements, provided that such nationals are residents of an EEA Member State. [The residence requirement does not apply either to citizens of Member States of the Convention establishing the European Free Trade Association who are resident in a Member State of the Convention or nationals of the Faeroe Islands who are resident in the Faeroe Islands.]<sup>1)</sup> The Minister may grant the same exemption to nationals of other states.

<sup>1)</sup>Act 108/2006, Art. 89.

**Article 5** Natural and legal persons shall notify the [Financial Supervisory Authority]<sup>1)</sup> of any direct or indirect participation in a central securities depository representing at least 10% of its share capital or voting rights, or less if the participation entails a significant influence on the management of the company, and the extent of such participation.

Should a shareholder possessing a holding in a central securities depository of the size indicated in the first paragraph exercise his holding in a manner which is detrimental to the sound and secure operation of the central securities depository the Minister may, on the recommendation of the [Financial Supervisory Authority],<sup>1)</sup> decide that such holding shall not carry voting rights or instruct the central securities depository to take appropriate measures.

If the Minister has decided, pursuant to the second paragraph, that holdings shall not carry voting rights, such holdings shall be excluded in calculations of the proportion of voting rights represented at shareholders' meetings.

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 6** A central securities depository is required to notify the [Financial Supervisory Authority]<sup>1)</sup> if it becomes aware of, or suspects, any violation of this Act or any regulation issued under this Act.

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 7** The board of directors of a central securities depository shall adopt its own rules of procedure. The rules of procedure shall provide, in particular, for the board to adopt a position on the company's organisation, e.g. with

regard to accounting practices, internal control, computer systems, budgeting and arrangements for regular monitoring of the execution of the board's decisions and the procedure for their review.

The merger of a central securities depository with another company is prohibited except with the prior consent of the Minister, following receipt of the comments of [the Financial Supervisory Authority].<sup>1)</sup> The same shall apply to any division of a depository into two or more companies.

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 8** [The board of directors, managing director and other employees of a central securities depository, and its auditors, shall not disclose any information which they have acquired in the course of their employment or as a result of their position concerning the circumstances of account holders, the central securities depository or its customers, unless such disclosure is required by law. The obligation of confidentiality shall remain in place after employment ceases.]<sup>1)</sup>

The provisions of the first paragraph shall not, however, prevent a central securities depository from concluding a partnership agreement with another company engaging in similar activities and providing information to the latter party, provided that such party is subject to similar provisions on confidentiality.

<sup>1)</sup>Act 67/2006, Art. 20.

**Article 9** The audited annual accounts, confirmed by the board of directors of the central securities depository, together with the annual report, shall be sent to the [Financial Supervisory Authority]<sup>1)</sup> within three months of the end of each financial year.

If an auditor becomes aware of such deficiencies in the operation of a central securities depository that its accounts cannot be endorsed without reservations or comments, of faults in its internal control, or of other matters which could weaken the financial position of the enterprise in future operations, or if an auditor has reason to suspect any violation of laws or regulations or rules applying to the company, the auditor shall immediately notify the board of directors of the central securities depository and the [Financial Supervisory Authority]<sup>1)</sup>. This shall also apply to any similar matters coming to the knowledge of the auditor of a central securities depository concerning enterprises which are closely connected with the depository. The provisions of this article shall be without prejudice to auditors' obligations of confidentiality in accordance with the provisions of this or other acts of law.

<sup>1)</sup>Act 84/1998, Art. 20.

## CHAPTER II.

### Parties involved in the registration of rights of title

**Article 10** The following parties are authorised to intermediate in registrations of rights of title in a central securities depository:

1. the Central Bank of Iceland,
2. the National Debt Management Agency,
3. commercial banks and savings banks,
4. enterprises providing securities services,
5. credit institutions other than commercial banks and savings banks.

[6. stock exchanges].<sup>1)</sup>

<sup>1)</sup>Act 96/2008, Art. 8.

**Article 11** The parties listed in Article 10 and in Points 1-3 of the second paragraph of Article 12 shall conclude an agreement of association with a central securities depository, which shall be a condition for their authorisation to serve as intermediaries in the registration of rights of title, or to have access to the central securities depository.

[If the operating licence of a party which has concluded an agreement of association pursuant to the first paragraph is revoked, the party's estate is subjected to bankruptcy proceedings, or the party petitions for a moratorium on payments or composition, the agreement of association shall lapse immediately, as shall the right to any involvement in the registration of rights of title in a securities depository. The securities depository shall undertake registrations of rights of title as of the time that the agreement lapses, unless specifically agreed otherwise. No later than four months from the time that a securities depository assumes responsibility for registrations of rights of title pursuant to the provisions of this paragraph, the depository shall have ensured that electronic securities and rights of title to them have been placed under the management of another account operator who has entered into an agreement of association with the securities depository. The Financial Supervisory Authority is authorised to establish further rules of procedure for the termination of agreements of association and transfers of data pursuant to the first and third sentences of this paragraph.]<sup>1)</sup>

The board of a central securities depository is authorised to conclude an agreement of association with issuers of market securities concerning their authorisation to serve as intermediaries in the registration in the central securities depository of the issue and first transfer of electronic securities issued by the parties in question in accordance with their authorisation to operate in the financial market.

[The board of a central securities depository shall grant limited companies which are registered in the depository access to information held in the depository concerning the registered owners of shares in the respective companies.]<sup>2)</sup> The same shall apply to access by undertakings for collective investment in transferable securities (UCITS) to information on the owners of units in the collective investment undertakings in question.

<sup>1)</sup>Act 147/2001, Art. 1.<sup>2)</sup>Act 32/2000, Art. 2.

**Article 12** A regulation,<sup>1)</sup> issued by the Minister, may provide for:

1. further rules on the basis for and implementation of registrations of title, as well as the means by which individuals employed by a central securities depository or account operator should carry out the tasks involved in registering rights in a central securities depository;
2. further rules on the registration of limited title to electronic securities;
3. the authorisations of a central securities depository to decide upon arrangements for charging fees for handling electronic securities and registrations relating thereto.

A regulation,<sup>1)</sup> issued by the Minister upon receipt of recommendations from the boards of central securities depositories operating on the basis of this Act, may provide:

1. that foreign central securities depositories and foreign commercial banks, savings banks, undertakings engaging in securities services and lending institutions other than commercial banks and savings banks licensed to provide custody services, which are licensed to operate in this country and are subject to surveillance by public authorities, should be permitted to serve as intermediaries in registrations of title in a central securities depository with legal effect as provided for in Chapter IV upon receiving the approval of the [Financial Supervisory Authority];<sup>2)</sup>
2. that a central securities depository, upon receiving the approval of the [Financial Supervisory Authority],<sup>2)</sup> should be permitted to act as an intermediary in the registration of rights of title in domestic and foreign central securities depositories;
3. that parties other than account operators may be granted the right to seek information concerning their own accounts directly from a central securities depository on the basis of an agreement of association which the party in question has concluded with the central securities depository.

<sup>1)</sup>Reg. 397/2000.<sup>2)</sup>Act 84/1998, Art. 20.

### CHAPTER III

## Registration activities

**Article 13** The board of directors of a central securities depository is responsible for ensuring that adequate security precautions are taken in its activities and that its operations are conducted efficiently. The board of a central securities depository shall set detailed rules as to which securities qualify for registration as electronic securities. These rules shall ensure non-discrimination and be made public. [Electronic securities in a class of securities admitted to registration in a securities depository may be registered in more than one securities depository, provided that it is ensured that the rights to each individual electronic security can only be registered in a single depository. The same applies to a class of securities admitted for registration in a foreign securities depository.]<sup>1)</sup>

<sup>1)</sup>Act 147/2001, Art. 2.

**Article 14** A central securities depository is not permitted to provide information concerning registered rights, subject to the provisions of this Act.

A central securities depository may provide information for statistical purposes with the permission of the [Data Protection Commission].<sup>1)</sup>

<sup>1)</sup>Act 77/2000, Art. 46.

**Article 15** [The Central Bank of Iceland shall accept deposits from account operators who are parties to a central securities depository and arrange the finalisation of their transactions involving electronic securities.]<sup>1)</sup> [Under an agreement with an account operator, the Central Bank may hold a lien on the electronic securities of an account operator as security for the finalisation of clearance and settlement within payment systems which have been approved by the Minister in accordance with Article 3 of Act No. 90/1999 on the security of transfer orders in payment systems; such liens shall be registered in accordance with Chapter IV of this Act. If an account operator has not fulfilled his obligations within the time limit fixed in current transaction rules based on this Article, the Central Bank may immediately redeem the electronic securities serving as collateral for the performance of the finalisation in question.]<sup>2)</sup> The Central Bank shall establish further rules on its dealings pursuant to this Article.

[The settlement of payment instructions involving transactions in electronic securities registered in foreign currency in a securities depository in Iceland shall take place with the intermediation of a securities depository. The securities depository shall enter into an agreement on such settlements, and the agreed settlement system shall be subject to the approval of the Financial Supervisory Authority following receipt of the comments of the Central Bank of Iceland; the system shall meet requirements corresponding to the requirements laid down in Act No. 90/1999 on the security of transfer orders in payment systems. Measures shall be taken to ensure that the settlement system has secure access to the currency in question, so that secure and efficient finalisation of the transactions is ensured. A securities depository is required to keep all funds received from an account operator in respect of settlements separate from its own funds, as assets under custody.

A securities depository shall establish rules on the settlement of transactions involving electronic securities, and such rules shall be approved by the Financial Supervisory Authority following consultation with the Central Bank of Iceland.

A consultation committee for securities depositories, stock exchanges, the Financial Supervisory Authority and the Central Bank of Iceland shall be formed, with each party appointing one member to the committee. The representative of the Central Bank shall serve as chairman of the committee. The purpose of the consultation committee shall be to discuss the relations between central securities depositories, stock exchanges and the Central Bank in connection with the settlement of transactions.]<sup>1)</sup>

<sup>1)</sup>Act 64/2008, Art 1.<sup>2)</sup>Act 32/2000, Art. 3.

## Chapter IV.

### Legal effect of registration, etc.

**Article 16** Rights to electronic securities must be recorded in a central securities depository for the securities to enjoy legal protection with regard to enforcement procedures and disposal by contract. Negotiable instruments may not be issued for the rights registered under an electronic security nor may they be transferred; any such transactions are void.

Registration of rights of title to an electronic security in a central securities depository, following its final entry by the central securities depository, confers on its registered owner a legal claim to the rights of which he is the registered owner and shall for the issuer constitute the equivalent of certification of right of title to the electronic security.

The priority of incompatible rights shall be determined by the time of receipt by the central securities depository of the account operator's request for their registration.

The legal effect of registration of rights of title is considered to apply from the moment that the final entry has been made by the central securities depository.

An account operator is required to notify a central securities depository without delay of any request for registration of rights of title, provided that the party in question has presented satisfactory documents concerning the grounds for the request.

<sup>1)</sup>Act 32/2000, Art. 4.

**Article 17** If an account operator is in any doubt as regards any facts or circumstances which may affect any legally protected rights conferred by registration, or the rights of any parties for whom the registration has significance, and whether the registration might infringe the rights of any third party, the operator shall arrange for the registration of rights of title to rights to be made provisionally.

The central securities depository shall make the final decision as to whether the rights registered in accordance with this Article should be entered in its title register.

Further provisions on procedures for provisional registration of rights of title pursuant to this Article may be prescribed by a government regulation.<sup>1)</sup>

<sup>1)</sup>Reg. 397/2000.

**Article 18** An account operator or account operators, as appropriate, shall notify all parties involved in each registration of the rights that it has mediated. The operator shall also send notification of any difficulties relating to the registration. Account operators should notify the parties concerned in the same manner, as appropriate, of changes to or cancellation of rights.

Holders of registered rights and account operators may request, on the basis of rules established by a central securities depository with the approval of the [Financial Supervisory Authority],<sup>1)</sup> that they should be sent notifications at regular intervals, or may decline to receive some or all notifications concerning changes in rights. An agreement as to the arrangements of notification must be noted in the account of the rightholder concerned.

An account operator may conclude an agreement with the board of directors of a central securities depository on the remitting by the latter of the notifications referred to in the first paragraph. Agreements pursuant to this paragraph shall be confirmed by the [Financial Supervisory Authority].<sup>1)</sup>

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 19** Once a final entry has been made in a central securities depository, the rights of an assignee acting in good faith cannot be disputed. Registration of rights of title in a central securities depository shall not, however, preclude protests of coercion or forgery.

**Article 20** A central securities depository shall establish rules on the transfer of assets and rights in accordance with the provisions of this Act and rules adopted under this Act, cf. also the provisions of Article 15 of this Act.

A central securities depository is authorised to arrange for the transfer of assets and rights on behalf of the issuer of an electronic security, at the request of the latter, to whomever is entitled to receive payment according to the registration in the depository. The depository shall not be responsible for any legal incapacity on the part of the recipient to receive such payment, nor his or her legal minority, provided that the depository neither knew nor could have been expected to have known of such circumstances of the recipient. However, this shall not apply if the claim of a registered rightholder arises from a contract which is void on grounds of coercion or forgery.

The final entry of a central securities depository concerning payment of instalments and interest into the account of a registered rightholder shall have the same validity for the debtor as an inscription on a bond.

**Article 21** The establishment of rights to electronic securities shall, in respects other than provided for in this Act, be as provided in general rules of law.

**Article 22** If it comes to the attention of an account operator that errors have occurred in connection with a registration, the operator shall notify the central securities depository and request correction. Before a correction is made, anyone who might be affected by the correction must be given an opportunity to comment and express their views.

**Article 23** A central securities depository may expunge any rights which clearly no longer exist.

If a central securities depository is of the opinion that rights registered to an account are no longer of any significance, or are at least 20 years old and must be regarded as demonstrably void, or if it is shown that no holder has been found of the right, the depository may publish a notice of recall in the *Legal Gazette* addressed to persons professing entitlement to the registered rights, allowing a three-month time limit for response. If no one has responded within the given time limit the central securities depository shall expunge the rights.

Further provisions on the implementation of the second paragraph may be issued in a government regulation.<sup>1)</sup>

<sup>1)</sup>Reg. 397/2000.

## Chapter V

### Statements of account

**Article 24** [Electronic securities held by account holders shall be registered in the holders' accounts in a central securities depository. Each account shall include a record of the account operator or operators authorised to file registrations of title to the account. An account operator is permitted to assume responsibility for nominee registration in an account, in accordance with the Act on securities transactions. An account which is a nominee account shall be identified as such. A central securities depository shall issue account statements listing the rights registered to the account.]<sup>1)</sup>

Statements of account shall be issued to owners of electronic securities at regular intervals. A statement of account shall list any electronic securities registered as the property of the account holder in question on the statement date. A comparable statement shall be issued to holders of limited rights of title to electronic securities. An account operator may send a registered rightholder an additional statement of account at the rightholder's request.

Further rules concerning the presentation of accounts and the issue of statements pursuant to the first paragraph, as well as the information to be included in the statement, shall be prescribed in a government regulation<sup>2)</sup> issued by the Minister.

<sup>1)</sup>Act 164/2000, Art. 3.<sup>2)</sup>Reg. 397/2000.

## CHAPTER VI

### Appeals committee and complaint procedure

**Article 25** Complaints due to disputes which may arise concerning registration of rights of title in a central securities depository, or other matters falling within the scope of this Act, shall be submitted to the central securities depositories' Appeals Committee. However, this shall not apply to claims for damages.

The Minister shall appoint three persons to an Appeals Committee, one of whom shall fulfil the conditions of eligibility for District Court judges and act as chairman. Other board members shall possess sound knowledge of the electronic registration of rights of title. The committee shall be appointed for a term of four years. The Minister shall determine the remuneration of committee members, which shall be paid out of the State Treasury.

Complaints pursuant to the first paragraph must be sent to the Appeals Committee within 12 weeks from the date of the registration in a central securities depository. The Appeals Committee shall have access to all documents of the central securities depository and account operator relating to the complaint.

The Appeals Committee shall issue a reasoned ruling on the complaint, which shall be notified to all the parties concerned.

In exceptional cases the Appeals Committee may accept a matter for a ruling after the expiration of the time limit for complaints provided for in the third paragraph.

The Minister may issue further rules concerning the work of the Appeals Committee.

**Article 26** The following parties may submit complaints pursuant to Article 25:

1. anyone who is regarded as having sufficient legally protected interests at stake in the matter;
2. an account operator, when the operator sees reason to question decisions taken by a central securities depository in accordance with Articles 17, 22 and 23; and
3. a central securities depository, when the depository sees reason to question notifications from an account operator concerning registrations in the central securities depository.

**Article 27** A decision of the Appeals Committee may be referred to a court of law by normal procedure within four weeks of its notification to the parties concerned.

Cases which may be referred to the Appeals Committee pursuant to Articles 25 and 26 cannot be submitted to a court of law without first undergoing the complaint process.

## Chapter VII

### Damages

**Article 28** A central securities depository is liable for payment of damages for any losses which can be traced to its activities in connection with notifications of registration or changes or cancellations of rights in an account at the depository, even when there is no question of criminal conduct. However, liability shall not extend to losses arising from lost business opportunities nor to losses which are due to circumstances beyond its control (*force majeure*).

If an injured party has contributed to the loss by intent or negligence, damages to the injured party may be reduced or cancelled.

A central securities depository is liable for payment of damages to innocent parties who suffer losses covered by the provisions of the second sentence of Article 19 if compensation cannot be obtained under the general rules of law.

The total damages for losses resulting from a single event of damage cannot exceed one-half of the amount of the guarantee fund provided for in Article 30.

**Article 29** An account operator is liable for payment of damages for any losses which can be traced to its activities in connection with notifications of registration, or changes or expunctions of rights in an account in a central securities depository, as well as payments from such account, even when the cause of the loss can be traced to an accident.

If an injured party has contributed to the loss by intent or negligence, damages to the injured party may be reduced or cancelled.

**Article 30** When the cause of a loss can be traced to the activities of a central securities depository or account operator, in accordance with Articles 28 and 29, but it is not clear which of the two parties is responsible for the loss, they may be sued for damages jointly (*in solidum*). Right of recourse between the plaintiffs shall be subject to the general rules of law.



The total guarantee fund of a central securities depository shall never amount to less than ISK 650 million in the form of guarantees or other arrangements.

Detailed rules on guarantees of a central securities depository pursuant to the second paragraph shall be laid down in its articles of association.

## CHAPTER VIII

### Supervision

**Article 31** [The Financial Supervisory Authority]<sup>1)</sup> shall monitor whether the activities of central securities depositories are in compliance with the provisions of this Act and rules or regulations issued under this Act. [The Financial Supervisory Authority]<sup>1)</sup> shall for this purpose have access to all documents and information on the activities of central securities depositories and account operators which it considers necessary for the purposes of supervision in accordance with this Act. Such supervision shall, as appropriate, be subject to the Act on [official supervision of financial operations]<sup>1)</sup> and the Act on securities transactions.

<sup>1)</sup>Act 84/1998, Art. 20.

**Article 32** If [the Financial Supervisory Authority]<sup>1)</sup> finds that an account operator has repeatedly or seriously violated the provisions of this Act, the Act on securities transactions or rules or regulations adopted in accordance with these acts of law, or that the conduct of an account operator is in other respects irregular, unsound or unsafe, it may revoke the rights of the party in question to effect registrations of title in a central securities depository.

<sup>1)</sup>Act 84/1998, Art. 20.

**[Article 33** A central securities depository may, in an agreement of association and in rules adopted by its board of directors, establish restrictions or deny access to its register of titles as a result of violations of the agreement of association or rules governing its activities. The board may, at its discretion, provide in the agreement of association for penalties in the form of fines should an account operator fail to meet obligations under the agreement, provided that the violation is not subject to penalties under Article 34.]<sup>1)</sup>

<sup>1)</sup>Act 32/2000, Art. 5.

## CHAPTER IX

### Penalties

**[Article 34]**<sup>1)</sup> *[Administrative fines*

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

1. the second paragraph of Article 1 to the effect that activities which are subject to an operating licence shall not be conducted without an operating licence;
2. the third paragraph of Article 3 to the effect that a central securities depository is not permitted to engage in activities other than those provided for in this Act or normally connected with such activities;
3. the first paragraph of Article 5 on the requirement to notify the Financial Supervisory Authority of a qualifying holding;
4. Article 6 on the obligation to report to the Financial Supervisory Authority;
5. Article 7 on the rules of procedure of the board of directors of a securities depository and the merger of a securities depository with another company;
6. the first paragraph of Article 8 on confidentiality;
7. Article 9 on annual accounts and annual reports and the reporting obligation of auditors;

8. the first and second sentences of Article 13 on the rules as to which securities qualify for registration as electronic securities;

9. Article 14 prohibiting a central securities depository from providing information concerning registered rights;

10. the second paragraph of Article 30 concerning guarantee funds of central securities depositories;

11. settlements between the Financial Supervisory Authority and a party pursuant to Article 34 a.

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 extent of co-operation of the violating party 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.]<sup>2)</sup>

<sup>1)</sup>Act 32/2000, Art. 5. <sup>2)</sup>Act 55/2007, Art. 12.

**[Article 34 a.** 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. A settlement is binding for the party involved once it has been accepted and its substance confirmed by the party's signature. The Financial Supervisory Authority shall establish further rules<sup>1)</sup> on the implementation of this provision.]<sup>2)</sup>

<sup>1)</sup>Reg. 1245/2007. <sup>2)</sup>Act 55/2007, Art. 13.

**[Article 34 b** 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.]<sup>1)</sup>

<sup>1)</sup>Act 55/2007, Art. 13.

**[Article 34 c** The power of the Financial Supervisory Authority to impose administrative fines pursuant to this Act shall lapse when five years have passed from the time that the conduct ceased.

The limitation pursuant to the first paragraph 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.]<sup>1)</sup>

<sup>1)</sup>Act 55/2007, Art. 13.

**[Article 34 d** *Fines or imprisonment*

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

1. the second paragraph of Article 1 to the effect that activities which are subject to an operating licence shall not be conducted without an operating licence;

2. the third paragraph of Article 3 prohibiting a central securities depository from engaging in activities other than those provided for in this Act or normally connected with such activities;

3. the first paragraph of Article 8 on confidentiality;

4. Article 9 on annual accounts and annual reports and the reporting obligation of auditors;
5. Article 14 prohibiting a central securities depository from providing information concerning registered rights.]<sup>1)</sup>

<sup>1)</sup>Act 55/2007, Art. 13.

**[Article 34 e]** Violations of this Act which are subject to fines or imprisonment are subject to penalties 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.]<sup>1)</sup>

<sup>1)</sup>Act 55/2007, Art. 13.

**[Article 34 f]** [Violations of this Act are subject to criminal investigation only following charges submitted by the Financial Supervisory Authority to the police].<sup>1)</sup>

If an alleged violation of this Act is subject to both administrative fines and punitive 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 [criminal investigation].<sup>1)</sup> Consistency shall be maintained in the resolution of comparable cases.

Referrals of 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 are 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.]<sup>2)</sup>

<sup>1)</sup>Act 88/2008, Art. 234.<sup>2)</sup>Act 55/2007, Art. 13.

## CHAPTER X

### Miscellaneous provisions on legal effect, entry into force, etc.

**[Article 35]**<sup>1)</sup> If an electronic security is issued and registered in accordance with this Act as a bill of exchange, legal provisions applicable to bills of exchange shall be observed, as applicable.

<sup>1)</sup>Act 32/2000, Art. 5.

**[Article 36]**<sup>1)</sup> If securities have been admitted for electronic registration in a central securities depository, the provisions of this Act shall take precedence over special legislation on the issue and form of such securities.

<sup>1)</sup>Act 32/2000, Art. 5.

**[Article 37]**<sup>1)</sup> This Act shall enter into force on 1 January 1998.

<sup>1)</sup>Act 32/2000, Art. 5.

### **Interim provisions**

**I.** Once a central securities depository under in this Act has commenced operation, the objective shall be to offer issuers and owners the opportunity to register electronically all of the following securities, which at that time are fully valid or within their final maturity, before the end of the year 2000:

1. Treasury bonds;
2. Treasury notes;
3. Treasury bills;
4. Housing bonds and Housing Authority bonds;
5. Stocks in companies listed on the Icelandic Stock Exchange;
6. Bonds and bills of exchange issued by commercial banks and savings banks, municipalities and other unspecified parties, which are listed on the Icelandic Stock Exchange;
7. Other securities approved by the board of directors of a central securities depository for registration of rights of title in accordance with the provisions of Article 13 of this Act.

**II.** If rights of title to a security are registered in a central securities depository the physical security certificate shall be invalidated. Detailed provisions on recall and registration of rights of title in accordance with the provisions of this provision and Interim Provision I shall be laid down in a regulation<sup>1)</sup> issued by the Minister. [On fulfilment of all conditions regarding recall as provided for in the regulation, and on completion of their transfer and registration of rights of title in a central securities depository, the physical securities shall be void.]<sup>2)</sup>

<sup>1)</sup>Reg. 397/2000.<sup>2)</sup>Act 32/2000, Art. 6.