

Act on the Activities of Stock Exchanges and Regulated OTC Markets

No. 34, 21 April 1998

CHAPTER I General provisions

Article 1

This Act shall apply to the activities of stock exchanges and regulated over-the-counter (OTC) markets operating in Iceland.

Activities provided for in this Act may only be carried out by stock exchanges and regulated OTC markets which have been granted operating licences in accordance with this Act.

Article 2

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

[*a regulated securities market*:

1. a stock exchange: a market where official listing of financial instruments and trading with such instruments takes place and which has been granted an operating licence, cf. 3. Articles 3 and 10 of this Act;
2. a regulated OTC market: a market for financial instruments which are not officially listed on a stock exchange and which has been granted an operating licence, cf. Articles 3 and 10 of this Act;
3. stock exchanges within the European Economic Area and other securities markets within the European Economic Area where financial instruments are freely traded, which are open to the public, operate regularly and are recognised in a manner deemed valid by the Financial Supervisory Authority;
4. markets as provided for in Point 3, located in states outside the European Economic Area which are recognised in a manner deemed valid by the Financial Supervisory Authority],¹⁾

securities: securities as defined in the Act on Securities Transactions;

enterprises providing securities services: enterprises providing securities services as defined in the Act on Securities Transactions;

official listing: listing for public trading and price listing on a stock exchange on the basis of co-ordinated requirements for securities and their issuers which have been approved by the authorities;

market member: a party entitled to place orders and trade on the market concerned.

¹⁾Act No. 33/2003, Article 61.

Operating Licence

Article 3

The Minister of Commerce shall grant operating licences pursuant to this Act upon receiving the opinion of the [Financial Supervisory Authority].¹⁾ An application for an operating licence must be made in writing.

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

The Minister's decision on an operating licence must be notified to the applicant in writing as promptly as possible and no later than six months after the Minister's receipt of a complete application. Grounds must be given for any refusal of an application by the Minister.

Operating licences may only be granted to limited-liability companies which fulfil the legal requirements for the issuing of a licence. No activities may commence until share capital as referred to in Article 4 has been paid-up in full.

¹⁾Act No. 84/1998, Article 22.

Article 4

An operating licence as provided for in this Act shall only be granted to parties fulfilling the following requirements:

1. Paid-up share capital shall amount to a minimum of ISK 65 million, and never less than the equivalent of [EUR]¹⁾ 730 000, based on the official reference exchange rate as currently listed. If an operating licence covers only the activities of an OTC market, however, such operating licence may be granted if paid-up share capital amounts to a minimum of one-half of this amount.
2. A satisfactory plan of operation must be available, as well as information on the proposed organisation and Rules on the trading and information system to be used for these activities, and information on the conditions for market membership and a plan listing prospective market members.
3. The company's Articles of Associations must include, under provisions on the purpose of the company, what may be accepted for trading and listing on the market.

In addition to the conditions provided for in the first paragraph, an operating licence for a stock exchange is conditional upon compliance with the requirements of this Act, including Article 30 on professional liability, and the submission of Rules satisfying the provisions of Article 17.

A stock exchange's operating licence must state whether it also carries out activities referred to in Chapter IX, on regulated OTC markets and their activities.

¹⁾Act No. 16/1999, Article 1.

Board of Directors

Article 5

The Board of Directors of a stock exchange must consist of at least five members. The Board of an OTC market must have no less than three members.

Members of the Board of Directors must be of legal majority and of unblemished reputation, be competent to manage their own finances, and may not, during the last five years, have been convicted of an offence connected with a commercial activity which is punishable under the Criminal Code or Acts on limited-liability companies, private limited-liability companies, bookkeeping, annual accounts, bankruptcy or public levies.

Qualifying holdings

Article 6

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

Individuals and legal entities must notify the Bank Inspectorate of direct or indirect holdings in a limited-liability company operating in accordance with this Act which amount to at least 10% of its share capital or voting rights, or less if such holding confers substantial influence on the management of the company, and the extent of such holdings.

Should a shareholder, who has a holding as large as that referred to in the first paragraph, exercise his rights in such a manner as is detrimental to the sound or reliable operation of the company, the Minister may, upon receiving a proposal from the [Financial Supervisory Authority]¹⁾, decide that such holding shall not confer voting rights or may order the company to take appropriate measures.

Should the Minister decide, pursuant to the second paragraph, that holdings shall not be entitled to voting rights, such holdings shall be excluded in calculations of the proportion of voting rights represented at shareholders' meetings.

¹⁾Act No. 84/1998, Article 22.

Executives and other personnel

Article 7

The executive director of a limited-liability company operating in accordance with this Act must, in addition, fulfil the qualifications set in the Act on Public Limited Companies, have unblemished reputation, may not have been deprived at any time of competence to manage his own estate, and must possess extensive experience for the position, in the assessment of the Board.

The executive director and other personnel may not serve on the Board of Directors of institutions or business undertakings or take part in business operations in other respects except with the permission of its Board of Directors. Ownership of shares in an undertaking is considered to constitute participation in business operations except in the case of an insubstantial holding conferring no decisive influence on its management which may be considered primarily an investment of savings.

Rules adopted by the Board of Directors and approved by the [Financial Supervisory Authority]¹⁾ shall apply to securities trading of Board members and personnel of a limited-liability company which has been granted an operating licence in accordance with this Act.

¹⁾Act No. 84/1998, Article 22.

Use of designations

Article 8

Only companies which have been granted an operating licence for stock exchange activities may, unless otherwise provided for by law, use for their firms the designation stock exchange (*kauphöll*), either standing alone or in compounds with other words, or as a further explanation of their activities.

Only companies which have been granted an operating licence for a regulated OTC market as provided for in this Act may use for their firms the designation regulated OTC market (*skipulegur tilboðsmarkaður*), either standing alone or in compounds with other words, or as a further explanation of their activities.

Article 9

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

A limited-liability company, which has been granted an operating licence pursuant to this Act, shall notify the [Financial Supervisory Authority]¹⁾ if it should become aware of violations against this Act and other Acts covering its operations, Regulations issued by virtue of it, or Rules which have been adopted and apply to stock exchanges or OTC markets.

¹⁾Act No. 84/1998, Article 22.

CHAPTER II

The Stock Exchange and its Role

Article 10

The activities of a stock exchange include operating a regulated securities market where the official listing of securities is carried out, as well as activities involving regulated trading between exchange members with securities officially listed on:

1. a stock exchange established and registered in Iceland which has been granted an operating permit in accordance with the provisions of this Act,
2. a stock exchange or equivalent regulated securities market in the European Economic Area, [or a member state of the European Free Trade Association (EFTA) Treaty],¹⁾
3. a stock exchange or equivalent regulated securities market with which Member States of the European Economic Area [or member states of the European Free Trade Association (EFTA) Treaty],¹⁾ have concluded a co-operation agreement,
4. any other comparable regulated securities market outside of the Member States of the European Economic Area [or member states of the European Free Trade Association (EFTA) Treaty],¹⁾ which is accepted as valid by the [Financial Supervisory Authority]²⁾.

¹⁾Act No. 76/2002, Article 87. ²⁾Act No. 84/1998, Article 22.

Role

Article 11

The role of a stock exchange is:

1. to handle the official listing of securities and set Rules on their eligibility for listing,
2. to contribute to making the listing, trading and price formation on the exchange clear and transparent and to make every effort to prevent discrimination in the trading carried out there, and to ensure the operation of a trading and information system, cf. Articles 21 to 23,
3. to set Rules on the activities of the stock exchange and on trading carried out there, as well as on other aspects which its Board considers necessary to ensure security in trading,
4. to supervise that the issuers of listed securities and members of the stock exchange operate in accordance with the Acts, Rules and statutes which apply to it,
5. to adopt a code of conduct for the stock exchange

Activities

Article 12

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

A stock exchange may carry out activities other than those described in Articles 10 and 11, provided such is in normal connection with exchange activities.

A stock exchange may also carry out parallel activities involving the provision of its services to non-members.

The [Financial Supervisory Authority]¹⁾ may decide that activities covered by this Article may only be carried out by a separate company.

¹⁾Act No. 84/1998, Article 22.

Right of referral

Article 13

Written grounds must be given for any rejection by a stock exchange Board of an application for membership or of an application for listing of securities. The same shall apply if individual classes of securities are delisted, cf. Article 18.

Any disputes concerning decisions of a stock exchange Board as referred to in the first paragraph may be referred to the Minister for review. The provisions of the Public Administration Act shall apply concerning case procedures and referrals.

CHAPTER III

Members of an exchange

Article 14

Parties having the right to submit bids and accept offers for securities on a stock exchange are referred to as members of the stock exchange. The following parties are eligible for membership of a stock exchange:

1. the Central Bank of Iceland,
2. undertakings providing securities services authorised to trade in securities for their own account,
3. legal entities authorised to be members of markets listed in Points 2 and 3 of Article 10 and authorised to provide services in this country,
4. legal entities authorised to be members of markets listed in Point 4 of Article 10 and authorised to provide services in this country.

Application for membership and membership agreement

Article 15

The stock exchange Board shall set detailed Rules on exchange membership.

Written applications for membership must be sent to the stock exchange Board. It shall examine whether or not an applicant fulfils the requirements for membership in accordance with Article 14 and the provisions of Rules which it has adopted on membership.

A decision on an application for membership shall be notified to the applicant in writing as soon as possible and no later than three months after the receipt of a complete application by the stock exchange Board.

As soon as an application for membership to a stock exchange is accepted, this shall be notified to the [Financial Supervisory Authority].¹⁾

¹⁾Act No. 84/1998, Article 22.

Article 16

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

Before a stock exchange member may begin trading on the exchange he must sign a written membership agreement with the stock exchange.

Should a stock exchange member repeatedly or grossly violate the conditions stipulated in the membership agreement, the stock exchange may nullify the agreement unilaterally or may apply less severe measures, such as temporary suspension of membership to the exchange. If a stock exchange takes measures pursuant to this Article it shall explain such measures to the [Financial Supervisory Authority]¹⁾ without delay.

¹⁾Act No. 84/1998, Article 22.

CHAPTER IV

Rules on Official Listing of Securities on a Stock Exchange¹⁾

¹⁾ Chapter IV shall be repealed as of 1 January 2006, as provided for in Act No. 31/2005, Article 27.

Article 17

Members of a stock exchange shall apply for official listing of securities in the trading system of a stock exchange on behalf of the issuers unless the stock exchange Board has otherwise agreed. Listing is subject to the approval of the stock exchange Board, which shall set detailed Rules on securities accepted for official listing. Before the stock exchange board approves for its part Rules on official listing of securities it must refer them to the [Financial Supervisory Authority]¹⁾ for its opinion. [Rules set by a stock exchange on official listing of securities must comply with the provisions of this Act and a Regulation issued by the Minister pursuant to it.]²⁾ Rules on official listing of securities must include requirements for their acceptance for trade and listing, including:

1. the submission of the issuer's prospectus,
2. information on the size and distribution of each class, as well as other information which the Board regards as of importance for the marketability of the securities,
3. the publication, upon listing and thereafter, of information on each class of securities and its issuer which is of importance for assessment of the value of the securities in accordance with Rules set by the Board.

As a rule, an applicant shall be notified of the Board's decision on a listing no later than two months following the receipt of a complete application. The Board's decision must, however, always be announced within six months.

The Board shall ensure that the necessary information on officially listed securities is available to the public.

¹⁾Act No. 84/1998, Article 22. ²⁾Act No. 16/1999, Article 2.

Delistings and temporary suspension of trading

Article 18

A stock exchange Board must delete from its listings securities which, in its estimation, do not fulfil the requirements of this Act and Rules set by the Board or requirements for listing of securities. Furthermore, it may temporarily delete listings of individual classes of securities if it deems this advisable.

The issuer of officially listed securities, or a stock exchange member on its behalf, may submit a written request for them to be delisted. The stock exchange Board shall

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

accord with this request upon receiving a written statement in support of such request. The Board may decide that the securities should not be delisted until up to one year has elapsed from the date upon which a complete statement is received by the stock exchange. The Board may also decide to publish the statement, wholly or in part.

Trading on a stock exchange may be temporarily suspended when special circumstances so require. Such temporary trading halts must be notified to the [Financial Supervisory Authority].¹⁾

¹⁾Act No. 84/1998, Article 22.

CHAPTER V

Takeover bids

Article 19 ...¹⁾

¹⁾Act No. 33/2003, Article 61.

Article 20 ...¹⁾

¹⁾Act No. 33/2003, Article 61.

CHAPTER VI

The Trading and Information System

Article 21

A stock exchange Board shall adopt Rules on an organised trading and information system and on the settlement of trading which takes place there. Such Rules shall specify how orders are to be placed, and provide for the collection and communication of information on trading in securities listed there, whether the trading takes place within the trading system or outside of it.

Article 22

Stock exchange members shall settle their transactions in accordance with Rules set by the Board and be responsible for their trading in listed securities.

Stock exchange members must inform the stock exchange Board of fees which they charge for handling the purchase or sale of securities listed there.

Article 23

A stock exchange member may trade in securities listed on an exchange without submitting his orders through its trading system, provided that the member informs both buyers and sellers of such. Information on such trading must be forwarded to the stock exchange in the manner provided for in Rules adopted in accordance with Article 21.

CHAPTER VII

Disclosure requirements

Article 24

Issuers of securities which have been accepted for official listing on a stock exchange must make public immediately any information on any aspects of importance which could be regarded as having an effect on the price of the securities or which must be made public in accordance with the Rules set by a stock exchange Board, cf. Article 17 of this Act.

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

A notice, which has been received by a stock exchange which has accepted the securities for official listing and has been communicated to members of the exchange in the manner prescribed by Rules adopted by the Board, is regarded as having been made public. A stock exchange may set detailed Rules on the format of notices.

Article 25

A limited-liability company which has had its shares officially listed on a stock exchange, should notify the exchange immediately of the total ownership by the company of its own shares, including shares in its subsidiaries, when this amount reaches, exceeds or drops below 5% and 10% of the total share capital in the company.

Notifications to a stock exchange as referred to in the first paragraph, shall state the actual share holding, how it is divided between share classes and what it was according to the most recent previous notification on a shareholding

[Article 25a

Companies which have had one or more classes of shares accepted for official listing on a regulated securities market must include detailed information on the following points in their annual financial statements:

1. the structure of share capital, including shares which are not listed on a regulated securities market, different share classes and the rights and obligations attached to them, as well as the proportion of each in the total share capital;
2. any limitations on transfer of shares, e.g. limits on the shareholdings of individual parties or if the approval of the company or other shareholders is required for a transfer;
3. significant direct or indirect shareholdings, including indirect ownership through other companies or cross-shareholdings between companies;
4. shareholders with special management rights and a description of these rights;
5. the principal provisions of employee stock option plans;
6. any limitations on voting rights, e.g. limitations on the voting rights of shareholders who hold a specific proportion or number of votes, time limits for exercising voting rights or if financial rights attached to shares are not linked to their ownership;
7. any agreements between the shareholders of which the company is aware which could result in limiting transfers and/or voting rights;
8. rules on the nomination to and renewal of the Board of Directors and changes to the company's Articles of Association;
9. special authorisations to the Board, including authorisations to issue new shares or purchase own shares;
10. agreements to which the company is a party and which enter into force, change or expire if there will be changes to the management or control of a company following a takeover bid and its impact on the company, except in the case of information which could have a negative impact on the company's activities or which has an insignificant impact on its activities; these exceptions shall not apply, however, in the case of information which the company is required by law to make public;

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

11. contracts concluded by the company with management or employees on payments or compensation if they resign or are dismissed without valid cause, or if their employment concludes as a result of a takeover bid.

The Board of a company which has listed one or more classes of its shares on a regulated securities market must, at its Annual General Meeting each year, present a summary including the information listed in the first paragraph.]¹⁾

¹⁾Act No. 31/2005, Article 28.

Flagging rules

Article 26 ...¹⁾

¹⁾Act No. 33/2003, Article 61.

Article 27

A Regulation issued by the Minister may provide in detail for the obligations of share issuers and shareholders to provide a stock exchange with information, as well as on when exemptions from such disclosure requirements may be granted.

Detailed Rules on disclosure requirements when an issuer has had its shares accepted for listing on more than one stock exchange may also be set in a Regulation.

Compilation of statistics and provision of information

Article 28

A stock exchange Board may, on its own initiative or at the request of an outside party and in accordance with the provisions of other Acts, prepare and publish statistics and other information for the benefit of the market on the basis of data which it possesses or collects by other means on trading recorded by the stock exchange.

Trading and reporting

Article 29

Members of a market or exchange must report on agreements for taking over ownership of securities listed or traded on a stock exchange or a regulated OTC market or an equivalent regulated securities market in a state of the European Union, or in a state with which the European Union has concluded a co-operation agreement, provided their market members participated in carrying out the trading.

In a Regulation issued by the Minister provision may be made to apply reporting obligations to other parties as well, in addition to which provision may be made, under exceptional circumstances, for such reporting obligation to apply also to other unlisted securities which are bought or sold on an OTC market.

Those parties subject to reporting obligations must preserve documents concerning trading which must be accounted for and the report itself for at least five years after the submission of the report.

The Minister shall, in a Regulation, set detailed Rules on reporting obligations, including how extensive they should be, other details of the contents and where the report should be sent.

A stock exchange shall set detailed Rules on fees charged for reporting and expenses for publication.

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

CHAPTER VIII

Professional Liability of a Stock Exchange

Article 30

A stock exchange must have valid professional liability insurance covering financial losses by a customer attributable to negligent activities of the exchange or its employees.

The insurance must cover damages of up to ISK 32.5 million for individual damage claims and up to ISK 65 million each insured year. These amounts shall change each month in proportion with changes to the consumer price index as inflation indexing from the date of entry into force of the Act. Detailed provisions on the scope of this insurance may be laid down in a Regulation

CHAPTER IX

Regulated OTC Markets and their Activities

Article 31

The activities of regulated OTC markets shall include those of regulated securities markets where securities which are not officially listed on a stock exchange are traded.

Securities which have not been accepted for official listing on a stock exchange may be, at the request of the issuer, bought and sold on a regulated OTC market, provided other conditions set by law are complied with and trading in the securities is in accordance with the purpose as specified in the Statutes applicable to the market and the Board of the market deems it advantageous that they be traded there.

The Statutes for a regulated OTC market shall state what types of securities are to be bought and sold there.

Purpose and activities

Article 32

The Board of Directors of a regulated OTC market is responsible for ensuring that its activities are carried out in a sound and efficient manner.

Each regulated OTC market is responsible for:

1. ensuring the necessary access to information and trading systems for securities which are purchased and sold there,
2. promoting the conduct of its activities in such fashion as to ensure that trading on the market will be carried out in a clear and transparent manner, in accordance with provisions of current Acts, Regulations and Rules adopted pursuant to them, and ensure non-discriminatory treatment of all parties trading on the market,
3. supervising that the issuers of listed securities and members of the OTC market operate in accordance with the Acts, Rules and statutes which apply to it.

The Board of a regulated OTC market must establish Rules on:

1. conditions for commencing trade in securities on the market, as well as on disclosure requirement for issuers of securities and shareholders,
2. conditions which must be fulfilled in order to become market members,
3. reporting on trading for information purposes.

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

Rules adopted in accordance with this Article must be available at the place of business of a regulated OTC market.

Before a market member may begin trading on a regulated OTC market he must sign a written membership agreement. Should a market member repeatedly or grossly violate the conditions set for market membership his membership may be revoked.

Trading halts

Article 33

The Board of a regulated OTC market may decide to halt trading in securities on the market, if it deems that continuing trading is neither to the advantage of securities issuers nor to the market.

If the estate of a securities issuer has been accepted for insolvency proceedings trading in the securities shall be prohibited.

If the issuer of a security submits a request that trading in the securities be halted, such request should be accorded with unless the Board of the regulated OTC market deems this to be contrary to the interests of investors, borrowers or the market. The Board of a regulated OTC market may request a written statement from the issuer. The Board may decide that the securities should not be delisted until up to six months have elapsed from the date upon which a complete report was delivered. The Board may also decide to publish the statement, wholly or in part.

Trading in securities on a regulated OTC market must cease no later than the date upon which they are officially listed on a stock exchange.

The Board of a regulated OTC market shall set detailed Rules on when trading in securities should be suspended.

CHAPTER X

Trading Outside a Regulated Securities Market

Article 34

No indication may be given that a securities market is regulated with respect to trading or placing orders for securities which are not listed on a stock exchange or regulated OTC market, for instance, by publishing regular information on trading in the same manner as a stock exchange or regulated OTC market would do, or by any means which could create confusion with such activities. This shall also apply even though such trading takes place through the trading system of a stock exchange or regulated OTC market.

If parties operate a securities market where substantial trading takes place, the [Financial Supervisory Authority]¹⁾ may demand, as a condition for its continuing operation, that it fulfil the provisions of this Act concerning a stock exchange or regulated OTC market, as appropriate.

¹⁾Act No. 84/1998, Article 22.

[Article 34a

Multilateral Trading Facility

Notwithstanding the provisions of Article 34, the Financial Supervisory Authority may grant a financial undertaking licensed to trade in securities or a regulated securities

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

market a license to operate a multilateral trading facility (MTF), offering systematic trading in securities which are not listed on a regulated securities exchange.

The Board of Directors of a multilateral trading facility must be comprised of at least three members and shall be responsible for its sound and economical operation.

The Board of the multilateral trading facility shall be responsible for adopting rules:

1. ensuring necessary access to information and trading systems for the securities bought and sold there;
2. ensuring that trading through the multilateral trading facility is carried out openly and transparently, as provided for in current legislation and rules adopted pursuant to it, and that equal treatment of all parties in trading on the multilateral trading facility is guaranteed;
3. ensuring satisfactory surveillance that securities issuers and members of the multilateral trading facility comply with the laws and rules, as well as the Articles of Association applicable to it;
4. ensuring that notification is given of any violations of law or rules, or of the Articles of Association for the multilateral trading facility, and that the necessary information in this regard is conveyed to competent authorities;
5. on conditions for commencing trade in securities on the multilateral trading facility, as well as on the disclosure requirements of securities issuers and shareholders, to enable the parties involved to make informed investment decisions;
6. on the requirements which members of the multilateral trading facility must satisfy;
7. on reporting of transactions for information purposes;
8. on an organised trading and information system and on the settlement of trading which takes place there. Such Rules shall specify how orders are to be placed, and provide for the collection and communication of information on trading in securities traded there, whether the trading takes place within the trading system or outside of it.

The provisions of Chapters VIII-XI of the Act on Securities Transactions, No. 33/2003, shall apply to securities trading on a multilateral trading facility.

Before a market member may commence trading on a multilateral trading facility, it must conclude a written membership agreement. Should a market member repeatedly or grossly violate the conditions stipulated in the membership agreement, the facility may revoke its membership.

The Financial Supervisory Authority shall supervise the activities of the multilateral trading facility, employing for such supervisions all the authorisations of Chapter XI of this Act. The Financial Supervisory Authority may revoke the license of a multilateral trading facility if the provisions of Chapter XII of this Act are fulfilled.]¹⁾

¹⁾Act No. 66/2005, Article 1. Until 1 July 2006, issuers with securities listed on a stock exchange upon the entry into force of Act 66/2005, may not trade in their securities on a multilateral trading facility. The Board of a stock exchange may grant exceptions from this prohibition, if this serves the interests of investors, cf. Act 66/2005, Temp. Prov.

CHAPTER XI

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

Supervision

Article 35

The [Financial Supervisory Authority]¹⁾ shall supervise the activities of stock exchanges and regulated OTC markets and ensure they comply with the provisions of this Act, Regulations and Rules adopted pursuant to it, as well as other instructions or the Articles of Association applicable to their activities. For such purposes, the [Financial Supervisory Authority] shall have access to all data and information on activities carried out as provided for in this Act which it deems necessary. Should the [Financial Supervisory Authority]¹⁾ be of the opinion that activities covered by this Act are carried out without the required authorisation, it shall have comparable access to data and information from the party concerned. ...²⁾

[The Financial Supervisory Authority]¹⁾ may demand any sort of data or information from individuals or legal entities which own, or plan to acquire and exercise, holdings in a limited-liability company operating pursuant to this Act, in order to evaluate whether they are covered by the notification obligation as provided for in Article 6 and whether they are considered eligible to exercise a qualifying holding.

...³⁾

Should the Financial Supervisory Authority be of the opinion that activities covered by this Act are carried out without the required authorisation, it may demand from the parties concerned such data and information as are necessary to determine whether such is the case. It can demand that such activities cease immediately. In addition, it may make public the names of parties regarded as offering services without the required authorisation.

In other respects, the provisions of the Act on Public Supervision of Financial Activities shall apply to supervision as provided for in this Act. Provisions of the Act on daily fines, administrative fines, and search for and seizure of documentation may be applied to gather information and carry out supervision as provided for in this Act.²⁾

¹⁾Act No. 84/1998, Article 22. ²⁾Act No. 11/2000, Article 15. ³⁾Act No. 33/2003, Article 61.

Article 36

If the [Financial Supervisory Authority]¹⁾ considers that a stock exchange or regulated OTC market, operating pursuant to this Act, has violated the provisions of this Act, of the Act on Securities Transactions, or Regulations or Rules issued in accordance with them, or that the behaviour of companies or institutions is otherwise irregular, unsound, or unreliable, it shall grant a suitable time limit for rectification, except in the case of a serious violation.

In cases of violations against this Act the [Financial Supervisory Authority]¹⁾ may, in addition, demand that the situation be rectified immediately, and may place a temporary prohibition on further activities if exceptional circumstances so demand.

If a stock exchange or regulated OTC market fails to respond to repeated instructions from the [Financial Supervisory Authority]¹⁾ for improvements as referred to in this Article, the latter may propose that its operating licence be revoked, cf. Article 37 of this Act.

¹⁾Act No. 84/1998, Article 22.

CHAPTER XII

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

Revoking of an operating licence

Article 37

The Minister shall revoke the operating licence of a stock exchange or regulated OTC market acting upon a proposal from the [Financial Supervisory Authority]:¹⁾

1. if the granting of an operating licence was based on incorrect reports or information from the licensee or if it was procured by other illegitimate means,
2. if the company commits serious or repeated violations against the Articles of Association governing its activities or against this Act or Rules or Regulations adopted pursuant to it,
3. if the members of the Board do not satisfy the conditions of Article 5 or the operations of a licensee are no longer viable due to the provisions of the second paragraph of Article 6,
4. if the [Financial Supervisory Authority]¹⁾ deems that close links between a licensee and individuals or legal entities could hinder it in its regular supervision activities, or that law and regulations applicable to such parties hinder normal supervision,
5. if the estate of a licensee has been accepted for insolvency proceedings or the undertaking wound up for other reasons.

Operating licences shall, however, only be revoked as provided for in Points 1-4 of the first paragraph after the [Financial Supervisory Authority]¹⁾ has raised objections with the licensee concerned and given it the opportunity to resolve the matter.

¹⁾Act No. 84/1998, Article 22.

Article 38

Revocation of the operating licence shall be notified to the Board of Directors of the licensee and supported by arguments in writing. A notice of the revocation shall be published in the *Legal Gazette (Lögbirtingablaðið)* and advertised in the mass media. If a Minister revokes the operating licence of a stock exchange or regulated OTC market to operate in this country, the company shall be wound up.

Fines

Article 39

Stock exchanges and regulated OTC markets may provide in a membership contract, as well as in Rules adopted by the board of the company, for penalties for violations of the membership contract or Rules applicable to their activities in the form of fines. Fines may amount to up to ten times the annual fees for market membership of the market concerned if the violation is serious.

CHAPTER XIII

On confidentiality and submission of annual accounts

Confidentiality

Article 40

The Board of Directors and all employees of a company operating pursuant to this Act shall be bound by obligations of confidentiality concerning any information on the situation of its clients and affairs of the company, as well as other information which they

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.

may acquire through their employment and which is subject to secrecy in accordance with law or the nature of the case, unless a judge Rules expressly that they are obliged to provide such information in court or to the police, or there is a legal obligation to provide the information. The obligation of confidentiality shall remain even after their employment ceases.

Notwithstanding the provisions of the first paragraph, a stock exchange may cooperate with stock exchanges or competent authorities abroad and provide them with information, provided that the foreign parties involved fulfil the requirements for equivalent confidentiality in their own country. Information provided by a stock exchange to the above-mentioned foreign parties described as confidential or which are confidential in nature, must be treated as referred to in the first paragraph

On submission of annual accounts

Article 41

The annual accounts of a limited-liability company, which operates pursuant to this Act, must be audited by a certified public accountant or audit bureau.

An auditor must be allowed access to all assets, books and accompanying documents and other company materials and in addition the Board and staff must provide him with any information requested which it is in their power to provide.

Audited annual accounts shall be forwarded, together with an annual report, to the [Financial Supervisory Authority]¹⁾ within three months of the end of each accounting year.

¹⁾Act No. 84/1998, Article 22.

CHAPTER XIV

Entry into force, etc.

[Article 42

The Minister may set detailed rules on the official listing of securities and the implementation of this Act²⁾ in a Regulation.]¹⁾

¹⁾Reg. 432/1999. Reg. 433/1999. Reg. 434/1999. ²⁾Act No. 16/1999, Article 4.

[Article 43]¹⁾

This Act shall enter into force at once. ...

¹⁾Act No. 16/1999, Article 4.

Temporary provisions ...

Although every effort has been made to have this translation complete and accurate, should there be any discrepancy between texts, only the official Icelandic text as published in the Official Journal of Iceland, *Stjórnartíðindi*, is authentic.