

Act on Securities Transactions

No. 33, 20 March 2003

CHAPTER I

Scope and definitions

Article 1

Scope

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

1. reception and communication of instructions from customers concerning one or more financial instruments and the implementation of such instructions for the account of a third party;
2. trading in financial instruments on own account;
3. asset management, i.e. reception of funds for investment in financial instruments or other valuables for customer's own account, for compensation;
4. underwriting in connection with the issue of one or more financial instruments or the marketing of such an issue;
5. administration of a securities offer.

Securities transactions shall also include the following transactions or activities if they are closely linked to activities or transactions covered by the first paragraph:

1. safekeeping and administration in connection with one or more financial instruments;
2. safe custody services;
3. granting of credits, guarantees or loans to an investor allowing him to carry out transactions with one or more financial instruments, if the financial undertaking granting the credit or loan handles the transaction;
4. advice to undertakings on capital structure, policy formulation and related matters, and advice and services relating to mergers and acquisitions of undertakings;
5. services in connection with underwriting;
6. investment advice concerning one or more financial instruments;
7. foreign exchange services, if such transactions are part of investment services.

Article 2

Definitions

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

1. Financial undertaking: an undertaking in accordance with the definition of the Act on Financial Undertakings;
2. Financial instrument:
 - a) a security, i.e. any transferable claim for payment in cash or cash equivalents, and any transferable document conveying title to property other than real estate or specific chattels, such as shares, bonds, subscription rights, exchangeable and convertible securities;
 - b) a derivative, i.e. a contract where the settlement clause is based on the development of some underlying variable over a specific period, such as an interest rate, currency exchange rate, securities price, securities index or commodity price; derivatives shall include:

- i. a forward non-transferable financial instrument, i.e. a contract providing for an obligation of a contracting party to purchase or sell a certain asset for a specific price at a predetermined time;
 - ii. a forward contract, i.e. a standardised and transferable contract providing for an obligation of a contracting party to purchase or sell a certain asset for a specific price at a predetermined time;
 - iii. a swap, i.e. a contract providing for each of the contracting parties to pay the other an amount based on the development of two variables respectively during the period of the contract;
 - iv. an option, i.e. a contract granting one contracting party, the purchaser, the right but not the obligation to purchase (call option) or sell (put option) a specific asset (the object of an agreement) at a pre-determined price (the option price) at a specific time (closing day) or within a specific length of time (validity period of an option). As compensation for this right the other contracting party, the issuer, receives a certain fee indicating the market price of the option at the beginning of the contract period;
 - c) unit share certificate;
 - d) money market instrument;
 - e) transferable mortgage rights in real estate and moveable assets;
- 3 Listed security: a security which has been listed on a regulated securities market;
- 4 Regulated securities market: a market for securities in accordance with the definition of the Act on the Activities of Stock Exchanges and Regulated Securities Markets;
- 5 Stock exchange: a market in accordance with the definition of the Act on the Activities of Stock Exchanges and Regulated Securities Markets;
- 6 Regulated OTC market: a market in accordance with the definition of the Act on the Activities of Stock Exchanges and Regulated Securities Markets;
- 7 Institutional investors:
- a) the following public parties:
 - i. the National Treasury,
 - ii. the Central Bank of Iceland, and
 - iii. the Housing Loan Fund;
 - b) the following parties with operating licences on the financial market:
 - i. financial undertakings,
 - ii. Undertakings for Collective Investment in Transferable Securities (UCITS) and investment funds,
 - iii. insurance companies, and
 - iv. pension funds;
 - c) individuals and legal entities who specifically request such in writing to a financial undertaking authorised to trade in securities, provided they fulfil the requirements for professional knowledge, regular trading and substantial financial strength, as specified in detail in a Regulation.
- [8. *Public investment advice*: an analysis or information summary which directly or indirectly recommends the purchase or sale of financial instruments or suggests an investment strategy, concerning one or more financial instruments or their issuers, and is intended for the public or is likely to be made accessible to the public, for instance if it is distributed to a large group of people.

9. *Accepted market practices*: A practice which can normally be expected to be followed on one or more financial markets and which is recognised by the Financial Supervisory Authority (FME) in the manner provided for in a Regulation adopted pursuant to Article 73.]¹⁾

¹⁾[Act No. 31/2005, Article 1.](#)

CHAPTER II

Rights and obligations

Article 3

Scope of the Chapter

The provisions of this Chapter shall apply to financial undertakings authorised to trade in securities, [cf. however the provisions of Article 16.]¹⁾

¹⁾[Act No. 31/2005, Article 2.](#)

Article 4

Good business practice

Financial undertakings must operate in accordance with proper and sound business practices and customs in securities transactions, making the credibility of the financial market and the interests of their customers their priority.

Article 5

Information

A financial undertaking must gather information from its customers concerning their knowledge and experience of securities transactions and their objectives in the proposed investment, as is relevant to the services requested. Furthermore, a financial undertaking must gather information from its customers on their financial situation if they have a permanent commercial relationship with the financial undertaking. In view of the above, a financial undertaking shall provide its customers with clear and comprehensive information, for instance, on the investment choices open to them. Information which a financial undertaking provides to its customers must be clear, sufficient and not misleading, enabling the customers to make an informed investment decision.

A financial undertaking must inform its customers in advance what commission it will charge for its services. Changes to this commission must be notified to customers with reasonable notice.

A financial undertaking must have information accessible as to what legal remedies are available to its customers in the case of disputes between a customer and a financial undertaking.

In its advertisements and other promotional activities, a financial undertaking must take care to provide correct and detailed information on its activities.

Article 6

Impartiality and equal treatment

In their activities, financial undertakings shall maintain absolute impartiality towards their customers and should always conduct their work in such manner that customers receive equal treatment with regard to information, prices and other terms of business.

Article 7*Written contract and summary*

A financial undertaking which offers securities trading services involving a permanent commercial relationship, such as asset management, must conclude a written agreement with its customer providing, for instance, for the rights and obligations of the contracting parties.

If a financial undertaking provides asset management, it must send its customers a summary twice each year with information on how the customer's assets have been used since the previous summary was issued, current assets and estimated value of the assets on the date of the summary. A financial undertaking must always provide its customers with such a summary without delay if a customer so requests.

Article 8*Sale of unlisted securities*

If a financial undertaking sells or acts as an intermediary in sales to parties other than institutional investors of unlisted securities, which have neither been sold through a public offer nor are covered by [Article 24]¹⁾, such may only be done subject to an assessment of the professional expertise, financial situation and experience of the customer, provided this is not a case of sale or intermediation in a public offer of securities. The same shall apply to the sale by a financial undertaking or its mediation of sales of derivatives linked to one or more unlisted securities. In such instances a financial undertaking may refuse to act as an intermediary for such financial instruments if it is of the opinion that a customer does not possess sufficient knowledge, experience or financial strength.

¹⁾[Act No. 82/2005, Article 1.](#)

Article 9*Most favourable option*

In carrying out trading instructions, a financial undertaking shall ensure the best possible price for its customers and most favourable option in other respects, as appropriate in each instance.

Article 10*Separation of assets and financial instruments*

A financial undertaking must keep customers' capital and financial instruments clearly distinguished from its own assets. A customer's capital must be kept in a special account in the name of the customer.

Article 11*Nominee Registration*

A financial undertaking, which is authorised to preserve financial instruments owned by its customers, may preserve these in a special account (nominee account) and accept payment on behalf of its customers from individual issuers of financial instruments, provided the financial undertaking has explained to the customer the legal effects of such and the customer has given approval thereto. The financial undertaking must keep a record of the holdings of each individual customer in accordance with this Article.

In the event that a financial undertaking is sent into receivership or granted a debt moratorium, or the undertaking is wound up or comparable measures taken, the customer can, on the basis of the record provided for in the first paragraph, withdraw his/her financial instruments from the nominee account, provided there is no dispute as to the holding.

Article 12

Endorsement of transfer

A financial undertaking may transfer transferable financial instruments in a customer's name provided it has been given a proxy in writing to do so. The endorsement of a financial undertaking is not regarded as interrupting the order of endorsement even though the proxy is not attached to the transferable financial instrument, provided it is mentioned in the endorsement that the instrument is transferred in accordance with a proxy in its keeping. The financial undertaking must preserve such an authorisation for as long as rights can be claimed on an instrument transferred in this manner. The purchaser of the instrument must be provided with a copy of the proxy on demand.

A financial undertaking offering safekeeping of transferable financial instruments may preserve endorsements as referred to in the first paragraph in a special file while the instrument is in its custodianship, provided that the endorsements are entered on the instrument when it leaves the custodianship of the undertaking. A financial undertaking intending to take advantage of this authorisation must acquire the consent of the Financial Supervisory Authority for the arrangement of custodianship and the information system to be used.

A customer who has given a financial undertaking a proxy as provided for in the first paragraph, may not make a claim on the transferee by invoking the financial undertaking's lack of authorisation, except in cases where the proxy was patently insufficient.

Article 13

Separation of individual areas of operation

A financial undertaking must demonstrate that conflicts of interest in securities transactions are prevented by a clear separation of individual areas of operation (Chinese walls).

Article 14

Trading on own account

A financial undertaking must safeguard the following aspects in connection with its securities transactions for own account and securities transactions of management, personnel, owners of qualifying holdings as defined by the Act on Financial Undertakings, and persons with financial links to these same parties:

1. that the credibility of the financial undertaking is safeguarded,
2. that full confidentiality is maintained towards financially unrelated customers,
3. that transactions are recorded specifically, and
4. that the financial undertaking's Board of Directors is provided with systematic information on transactions and they are subject to supervision.

Article 15*Rules of financial undertakings*

A financial undertaking shall demonstrate that the provisions of Articles 6, 13 and 14 are complied with by adopting rules to this effect, which must be approved by the Financial Supervisory Authority. The rules shall provide especially for supervision of their enforcement within the financial undertaking. The rules must be accessible to customers. A financial undertaking must inform the Financial Supervisory Authority of any deviation from the provisions of these rules.

[Article 16*Public investment advice and publication of statistics*

Any person presenting or issuing public investment advice must ensure that such information is presented fairly and fulfils the conditions of rules adopted by the Financial Supervisory Authority pursuant to Article 73. Any interest or possible conflicts of interest which the party concerned may have in the financial instruments which the information concerns must be indicated.

Public bodies, disseminating statistical information which is likely to significantly affect financial markets must present this information fairly and transparently.]¹⁾

¹⁾[Act No. 31/2005, Article 4.](#)

CHAPTER III**Contractual settlement of derivatives****[Article 17]¹⁾***Scope of the Chapter*

The provisions of this Chapter shall apply to setting off and guarantee rights connected to derivatives.

¹⁾[Act No. 31/2005, Article 4.](#)

[Article 18]¹⁾*Setting-off*

One or more written contracts, between two parties, providing for their obligations under a derivative contract to be balanced against each other by setting-off upon renewal or in case of non-fulfilment, suspension of payments, composition with creditors or bankruptcy, shall remain fully valid, notwithstanding the provisions of Articles 91 and 100 of Act No. 21/1991, on Bankruptcy, etc.

¹⁾[Act No. 31/2005, Article 4.](#)

[Article 19]¹⁾*Guarantee rights*

Rights to collateral pledged to secure derivative transactions may not be cancelled despite the provisions of Article 137 of Act No. 21/1991, on Bankruptcy, etc.

¹⁾[Act No. 31/2005, Article 4.](#)

CHAPTER IV
[Public Offers and Listing of Securities]
Article 20

Scope of the Chapter

The provisions of this Chapter shall apply to public offers and listing of securities.

The provisions of this Chapter shall not apply to:

1. funds for collective investment intended exclusively to accept funds from members of the public for collective investment in financial instruments and other assets on the basis of spreading risk in accordance with a previously stated investment strategy, which issue unit share certificates or shares which are redeemable at the owners' demand from the fund's assets;
2. non-equity securities issued by a Member State of the European Economic Area, a regional or municipal government, international institutions of which one or more of the Member States are members, the European Central Bank or central banks of the Member States;
3. central banks in the European Economic Area;
4. securities unconditionally and irrevocably guaranteed by a Member State of the European Economic Area, or regional or municipal authorities;
5. securities issued by legal entities, which are non-profit-making, for the purpose of raising funds to advance their objectives, and which do not concern the financial situation of the legal entity itself;
6. non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:
 - a. are not subordinated, convertible or exchangeable,
 - b. do not give a right to subscribe to or acquire other types of securities and are not linked to a derivative instrument,
 - c. materialise reception of repayable deposits,
 - d. are covered by Act No. 98/1999, on Deposit Guarantees and an Investor-Compensation Scheme;
7. a securities offering of less than ISK 210 million, cf. however, Article 73 of this Act. The amount of the offering shall be calculated over a 12-month period;
8. non-equity securities issued in a continuous or repeated manner by credit institutions where the total amount of the offer is less than ISK 4.2 billion, calculated over a 12-month period, provided that these securities:
 - a. are not subordinated, convertible or exchangeable,
 - b. do not give a right to subscribe to or acquire other types of securities and are not linked to a derivative instrument.

An issuer, offeror or party seeking a listing for securities on a regulated securities market, which is covered by the provisions of Points 2, 4, 6 or 7 of the second paragraph, may prepare a prospectus as provided for in this Chapter.

Amounts in this Chapter are linked to the EUR amounts based on the exchange rate on 4 January 2005 (ISK 83.54).

Article 21

Definitions

1. *Offer of securities to the public*: An offer of securities to the public, whether on the primary or secondary market, shall mean any type of offer to the general public, in any form and by any means, to purchase securities presenting sufficient information on the terms of the offer and the securities offered for sale to enable an investor to decide to purchase or subscribe to these securities. This definition shall also be applicable to the placing of securities through financial intermediaries.
2. *Prospectus*: A prospectus is a collective term for the document or documents which must be issued when securities are offered to the general public or listed on a regulated securities market.
3. *Base prospectus*: a prospectus containing all necessary information on an issuer and the securities offered to the public or to be listed on a regulated securities market, as provided for in Point 2.
4. *Registration document*: when a prospectus is issued as three separate documents, that portion of the prospectus which provides information on the issuer.
5. *Securities note*: when a prospectus is issued as three separate documents, that portion of the prospectus which provides information on the securities themselves.
6. *Summary*: that portion of a prospectus providing information on the principal characteristics and risks associated with the issuer, the offer co-ordinator and the securities themselves. The summary shall be written in a concise and clear manner.
7. *Equity securities*: shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer.
8. *Offering programme*: A plan which would permit the issuance of non-equity securities, including warrants in any form, having a similar type and/or class, in a continuous or repeated manner during a specified issuing period.

Article 22

Requirements for offering securities to the public and listing of securities

An offer of securities to the public may only be made following the publication of a prospectus in accordance with the provisions of this Act.

Listing of securities on a regulated securities market is conditional upon the publication of a prospectus in accordance with the provisions of this Act.

Article 23

Information in the prospectus

A prospectus must contain such information as is necessary, having regard to the nature of the issuer and of the securities, for investors to be able to evaluate the assets and liabilities, the financial position, performance and future prospects of the issuer and guarantor, as appropriate, as well as the rights attached to the securities. The information must be presented clearly and comprehensively.

In addition to information on the issuer and its securities, the prospectus must include a short and concise summary describing the basic characteristics and risks

associated with the issuer, the guarantor, if applicable, and the securities themselves.

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

The Financial Supervisory Authority may grant exemptions from the publication of specific information in a prospectus as referred to in this Act if it deems that:

- a. disclosure of such information would be contrary to the public interest;
- b. disclosure of such information would be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer, offeror or guarantor, if any, and of the rights attached to the securities to which the prospectus relates;
- c. such information is of minor importance only for a specific offer or listing on a regulated market and is not such as will influence the assessment of the financial position and prospects of the issuer, offeror or guarantor, if any.

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

1. a registration document,
2. a securities note, and
3. a summary.

In the following instances an issuer, offeror or party requesting a listing on a regulated securities market may prepare a base prospectus:

- a. in the case of non-equity securities, including warrants in any form, issued under an offering programme;
- b. when non-equity securities are issued in a continuous or repeated manner by credit institutions and fulfil the following criteria:
 - i. the value of said securities issue is, under national legislation, placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date,
 - ii. the value of the securities is primarily intended to repay the capital and interest falling due in the event of a financial undertaking becoming insolvent, cf. however Chapter XII of Act No. 161/2002, on Financial Undertakings.

A supplement to the base prospectus shall be issued if considered necessary, cf. the provisions of Article 24. The supplement shall contain updated information on the issuer and the securities offered to the public or to be listed on a regulated securities market.

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

Article 24

Supplement to the prospectus

If significant new information, material mistakes or inaccuracy relating to information in a prospectus, which could affect an assessment of the securities, comes to light between the time the prospectus was approved, cf. Article 30, and the final

closing of the offer or, if applicable, the time when trading on a regulated securities market begins, a supplement to the prospectus shall be prepared accounting for the relevant aspects. The supplement must be approved within seven working days' time and published in the same manner as the original prospectus. The summary and any translations thereof shall also be supplemented, if necessary, to take into account the new information included in the supplement.

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

Article 25

Validity of a prospectus, base prospectus and registration document

A prospectus shall be valid for 12 months after its publication for offers to the public and listing on a regulated securities market, provided that the prospectus is completed by any supplementary information required pursuant to Article 24.

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

In the case of non-equity securities referred to in subparagraph b of the sixth paragraph of Article 23, the prospectus shall be valid until no more of the securities concerned are issued in a continuous or repeated manner.

A registration document, as referred to in the fifth paragraph of Article 23, previously filed with the Financial Supervisory Authority, shall be valid for a period of up to 12 months provided that it has been updated in accordance with the provisions of the first paragraph of Article 26. The registration document, together with the securities note, updated in accordance with Article 27 if applicable, and the summary shall be considered a valid prospectus.

Article 26

Annual information disclosure

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

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

Article 27

Prospectuses consisting of three documents

An issuer who already has a registration document approved by a competent authority in the European Economic Area need only prepare a securities note and summary when securities are offered to the public or listed on a regulated securities market. In such case the information which generally would be provided in the registration document must be included in the securities note if there has been a

material change or recent development which could affect investors' assessment since the latest updated registration document, or a supplement to it, was approved cf. Article 24. The securities note and summary shall be approved separately.

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

Article 28

Exceptions from the obligation to prepare a prospectus

The following shall be exempt from the provisions of Article 22:

1. Offers to the public to which one or more of the following apply:
 - a. securities are offered exclusively to institutional investors;
 - b. securities are offered to a specific limited group of investors, of whom no more than 100 may be non-institutional investors;
 - c. each investor contributes at least ISK 4.2 million to purchase securities in each offer;
 - d. the securities issued have a nominal value of at least ISK 4.2 million;
 - e. the estimated total selling price of the securities is less than ISK 8.4 million.

If securities are sold through the intermediation of a financial undertaking and the exception provisions in subparagraphs a-e do not apply, a prospectus must be published.

2. An offer of securities of the following types:
 - a. shares issued in substitution for previously issued shares of the same class, if the issuing of such new shares does not result in any increase in the issued capital;
 - b. securities offered in connection with a takeover, provided that a document is available regarded by the Financial Supervisory Authority as equivalent to a prospectus;
 - c. securities offered, allotted or to be allotted in connection with a merger, provided that a document is available regarded by the Financial Supervisory Authority as equivalent to a prospectus;
 - d. shares offered, allotted or to be allotted to existing shareholders without charge and dividends paid out in the form of shares, provided that the shares are of the same class as those shares for which dividends are paid; a document must be available containing information on the number and nature of the aforementioned shares and the reasons for and details of the offer;
 - e. securities offered, allotted or to be allotted to existing or former permanent employees or Directors of companies by their employer or a company connected to this employer; the issuer of the securities must have already listed the securities on a regulated securities market; a document must be available containing information on the number and nature of the aforementioned shares and the reasons for and details of the offer;
3. A listing of securities of the following types:
 - a. shares representing, over a period of 12 months, less than 10% of the number of shares of the same class already listed on a regulated securities market;
 - b. shares issued in substitution for previously issued shares of the same class

- already listed on a regulated securities market, if the issuing of such new shares does not result in any increase in the issued capital;
- c. securities offered in connection with a takeover, provided that a document is available regarded by the Financial Supervisory Authority as equivalent to a prospectus;
 - d. securities offered, allotted or to be allotted in connection with a merger, provided that a document is available regarded by the Financial Supervisory Authority as equivalent to a prospectus;
 - e. shares offered, allotted or to be allotted to existing shareholders without charge and dividends paid out in the form of shares, provided that the shares are of the same class as those shares already listed on the same regulated securities market for which dividends are paid. A document must be available containing information on the number and nature of the aforementioned shares and the reasons for and details of the offer;
 - f. securities offered, allotted or to be allotted to existing or former permanent employees or Directors of companies by their employer or a company connected to this employer, provided that the said securities are of the same class as the securities already listed on the regulated securities market. A document must be available containing information on the number and the nature of the securities and the reasons for and details of the offer;
 - g. shares resulting from the conversion or exchange of other securities or from the exercise of subscription rights to other securities, provided that the said shares are of the same class as the shares already listed on the same regulated securities market;
 - h. securities already listed on another regulated securities market which fulfil the following conditions:
 - i. the securities, or securities of the same class, have been listed for at least 18 months on a regulated securities market;
 - ii. in the case of securities first listed on a regulated securities market following the entry into force of this Act, an approved prospectus must have been published which accords with a regulation to that effect, cf. Article 73;
 - iii. when subparagraph ii does not apply, but securities were listed after 30 June 1983, an approved prospectus must have been available which accords with the rules then applicable;
 - iv. the ongoing disclosure requirements of a regulated securities market have been satisfied;
 - v. the party requesting a listing for securities on a regulated securities market, under this exemption, prepares an abstract made available to the public;
 - vi. the abstract referred to in subparagraph v must be made available to the public in the manner described in a regulation on prospectuses;
 - vii. the abstract must satisfy the requirements on substance and contents of a summary as laid down in this Act and provisions of the Regulation on prospectuses; furthermore, the abstract shall state where the most recent prospectus on the securities and financial information published by the issuer in connection with its ongoing disclosure requirements can be

obtained.

Article 29

Underwriting

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

Should a financial undertaking agree to underwrite a public offer, it shall be considered to have guaranteed only that a sufficient subscription will be obtained so that the offer is successful, unless otherwise expressly agreed upon.

Article 30

Co-ordination of a public offer and approval of prospectuses

A financial undertaking authorised to do so by its operating licence, must co-ordinate a public offer of securities or application for listing on a regulated securities market.

The Financial Supervisory Authority shall oversee approval of prospectuses. The Financial Supervisory Authority may reach an agreement with a regulated securities market to grant approval for prospectuses, cf. the second paragraph of Article 71. Such an agreement shall state what tasks are entrusted to the regulated securities market and the conditions for their execution.

Compensation for approval of prospectuses shall be determined by the Financial Supervisory Authority or regulated securities market concerned, as referred to in the second paragraph.]¹⁾

¹⁾[Act No. 31/2005, Article 4.](#)

CHAPTER V

Changes in the ownership of substantial holdings

[Article 31]¹⁾

Scope of the Chapter

The provisions of this Chapter shall apply to changes in ownership of a substantial holding in a limited-liability company which has had one or more classes of its shares listed on a regulated securities market.

¹⁾[Act No. 31/2005, Article 4.](#)

[Article 32]¹⁾

Flagging obligation

For the purposes of this Act, a substantial holding shall mean 5% of voting rights or the nominal value of share capital, and multiples thereof of up to 90%.

When a party acquires a substantial holding, or increases a holding to exceed or reduces a holding to fall below such a limit, he/she must notify this to the registered securities market concerned and to the limited-liability company immediately. Notification on the basis of Point 8 of [Article 33]²⁾ must be made on the date agreement is reached.

Notification as provided for in the second paragraph must give information on the name and address of the party obliged to give notification, the nominal value of his/her share capital and the proportion of the company's total share capital, the share

class if applicable, prior to and following the transaction subject to notification and on what grounds the party concerned was obliged to give notice as provided for in [Article 29]²⁾, together with any other information which the regulated securities market in question considers necessary.

¹⁾[Act No. 31/2005, Article 4.](#) ²⁾[Act No. 82/2005, Article 3.](#)

[Article 33]¹⁾

Determination of a substantial holding

When determining whether a substantial holding is involved, consideration shall be had for shares which:

1. the party concerned itself, or another party with whom he/she has a joint estate, owns;
2. another party or parties control in their own names on behalf of the party in question;
3. are owned by a legal entity controlled by the party in question;
4. are owned by a third party with whom the party in question has concluded a written agreement to follow a permanent, joint policy in directing the company concerned;
5. the party in question has concluded a written agreement to have a third person exercise voting rights for, in return for compensation;
6. the party in question has mortgaged, unless the mortgagee controls the voting rights and declares that he/she intends to exercise these rights, in which case the rights shall be regarded as those of the mortgagee;
7. the party in question receives dividends from;
8. the party in question is entitled to acquire exclusively by his/her own decision in accordance with a formal agreement, e.g. a stock option; and
9. the party in question preserves and can exercise the voting rights for without special instructions from the owner.

¹⁾[Act No. 31/2005, Article 4.](#)

[Article 34]¹⁾

Exemption from flagging obligation

Exempted from the obligations of notification provided for in [Article 28]²⁾ are financial undertakings, provided the following conditions are fulfilled:

1. this is a question of trading book transactions,
2. it does not exceed 10% of share capital or a corresponding proportion of voting rights,
3. there is no intention of influencing the company's management,
4. the transactions are within the normal scope of the financial undertaking's activities, and
5. ownership by the financial undertaking does not last for more than five business days from the date which obligation to give notification arose, in accordance with [Article 28]²⁾.

¹⁾[Act No. 31/2005, Article 4.](#) ²⁾[Act No. 82/2005, Article 4.](#)

[Article 35]¹⁾

Publication of information on a substantial holding

A regulated securities market must communicate information on notifications as referred to in [Article 28]²⁾ in its information system.

A company which has its shares listed on a stock exchange in another state of the European Economic Area (EEA) or in a state with which a co-operation agreement has been concluded, must ensure that information on substantial holdings is published there in accordance with the applicable rules there.

¹⁾[Act No. 31/2005, Article 4.](#) ²⁾[Act No. 82/2005, Article 4.](#)

CHAPTER VI

Take-over bids

[Article 36]¹⁾ *Scope of the Chapter*

[The provisions of this Chapter shall apply to take-over of a limited-liability company which has one or more classes of its shares listed on a regulated securities market in Iceland.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 37]¹⁾ *Mandatory bid*

[If a party has directly or indirectly acquired control of a limited-liability company, which has obtained a listing for one or more classes of its shares on a regulated securities market, this party must, no less than four weeks after achieving such control, make a takeover bid to other shareholders in the company, i.e. a bid to purchase their shares in the company. Control shall mean that the party concerned, and parties acting in concert with that party:

1. have acquired a total of at least 40% of the voting rights in the company,
2. have the right, based on an agreement with other shareholders, to control at least 40% of votes in the company, or
3. have acquired the right to appoint or dismiss a majority of the company's Board of Directors.

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

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

1. married couples, registered or co-habiting partners, and children of the party who are not financially competent;
2. connections between parties which directly or indirectly involve control by one party of the other, or if two or more companies are directly or indirectly under the control of the same party. Regard shall be had for connections between parties as provided for in Points 1, 2 and 4;
3. companies in which a party directly or indirectly holds a substantial holding, i.e. where the party directly or indirectly owns at least one-third of the voting rights in the company concerned. Regard shall be had for connections between parties as provided for in Points 1, 3 and 4;
4. connections between a company and its Board of Directors and managing directors.

A mandatory bid, as provided for in the first paragraph, becomes the obligation of the party acting in concert who increases his/her share with the result that the limit referred to in the first paragraph is reached.

The Financial Supervisory Authority may grant exemptions from mandatory bids as provided for in the first paragraph if special circumstances so warrant. The Financial Supervisory Authority may set conditions for such exemptions, e.g. concerning the time limit which the party in question shall have to dispose of holdings which are in excess of allowable limits and the treatment of voting rights during that period.

An offeror as referred to in the first paragraph, must prepare an offer document, as provided for in Chapter VII.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 38 *Voluntary bid*

The provisions of this Chapter shall also apply to voluntary bids to acquire shares in a limited-liability company which has had one or more classes of its shares listed on a regulated securities market. A voluntary bid shall mean a bid made to all shareholders of the company in question, without any mandatory bid being required, as referred to in the first paragraph of Article 37.

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

An offeror making a voluntary bid may limit its bid so that it applies to only part of the share capital or voting rights in the company in question, provided that the offer will not result in a bidding obligation arising as provided for in Article 37. A limited bid as provided for in this paragraph shall provide all shareholders or holders of voting rights the option of selling their shares or voting rights in direct proportion to the amount of their shareholdings or voting rights.

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

If an offeror has acquired control of a company following a voluntary bid for the shares of all shareholders in the company in question, the party concerned shall not be obliged to make a takeover bid as provided for in Article 37.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 39 *Notification of a bid*

The offeror must notify the regulated securities market in question of any decision on a bid without delay. The regulated securities market must make the offeror's notification public. The bid shall furthermore be presented to the employees of the companies in question.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 40]¹⁾ *Terms of a bid*

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

The price offered in a takeover bid as provided for in Article 37 must be equivalent to the highest price paid by the offeror, or by parties acting in concert with him/her, for shares acquired in the company in question during the past six months prior to making the bid. The bid must, however, be at least equal to the latest transaction price for shares in the company in question the day before the bidding obligation arose or notification was given of the proposed bid.

If an offeror, or party acting in concert with him/her, pays a higher price than provided for in the second paragraph during the offer period, the offeror must adjust the takeover bid and offer that price. If an offeror, or parties acting in concert with him/her, pays a higher price or offers better terms for shares in the company in question during the three months following the conclusion of the offer period, those shareholders who accepted the original offer shall be paid a supplemental payment corresponding to the difference.

In a takeover bid, the offeror may offer other shareholders in the company in question payment in cash, shares conferring voting rights or both. If the offeror does not offer liquid shares which are listed on a regulated securities market as payment, cash must also be offered as an option. The same shall apply if an offeror, or party acting in concert with him/her, has paid for at least 5% of the company's shares in cash during the six months immediately preceding the development of a bidding obligation and during the period of validity of the bid.

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

A takeover bid must be valid for at least four weeks and for a maximum of ten weeks. The Financial Supervisory Authority may extend the period of validity of a bid if there are valid reasons for so doing.

Settlement of shares taken over must be made no later than five business days after the expiration of the bid.

The Financial Supervisory Authority may adjust a bid either upwards or downwards under exceptional circumstances and if the rule on equal treatment of shareholders in the first paragraph is fulfilled. The Financial Supervisory Authority may also grant exemptions from the provisions of the fourth and seventh paragraphs if exceptional circumstances so warrant. Any decision to adjust the bid price or grant exemptions must be substantiated and made public.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 41 *Obligations of the Board of Directors*

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

From such time as a decision on a bid for shares in a company has been made public, or the Board of the Company becomes aware that a bid is imminent, and until the result of the bid is made public, the Board of the company in question may not take any action which may have an impact on the bid, without prior authorisation of a shareholders' meeting. This shall apply, for instance, to decisions on:

1. issuing new share capital or financial instruments of the company or its subsidiaries;
2. acquisition or disposal of treasury shares or shares in subsidiaries;
3. merger of the company or its subsidiaries with other companies;
4. acquisition or disposal of assets or anything else which could have a substantial impact on the activities of the company or its subsidiaries;

5. agreements which are not part of the company's normal course of business;
6. substantial changes in the terms of employment of management;
7. other decisions which could have a similar impact on the activities of the company or its subsidiaries.

The Board may, however, seek alternative bids without the prior authorisation of a shareholders' meeting.

A shareholders' meeting must also approve or confirm any decision taken before the beginning of period referred to in the second paragraph if such decision has not yet been partly or fully implemented and is not part of the normal course of the company's business.

The Board of a target company shall draw up and make publicly circulate a document setting out its reasoned opinion of the bid and its conditions. The opinion must include the views of the Board on the offeror's strategic plans and the effects of implementation of the bid on the company's interests, on the jobs of its management and personnel, and the locations of the company's places of business. If the Board of the target company receives in good time an opinion from employees' representatives on the effects of the bid on the employment of company personnel, that opinion shall be appended to the Board's circular.

If opinions vary among Board members concerning the bid, mention shall be made thereof in the opinion. If members of the Board are parties to the bid, or are acting in concert with the offeror, or in other respects have significant interests at stake concerning the outcome of the bid, mention shall be made thereof in the Board's opinion. Those members of the Board who are parties to the bid, or are acting in concert with the offeror, or in other respects have significant interests at stake concerning the outcome of the bid, shall not participate in preparing the Board's circular.

If members of the Board, or parties acting in concert with them as provided for in Article 37, are parties to a bid or ineligible in other respects to discuss the bid, and as a result the Board is not validly constituted, the Board shall have an independent financial undertaking assess the bid and its conditions.

The Board's document must be made public at least one week prior to the expiry of the bid.

If the offeror amends the bid, as provided for in Article 44, the Board must, within seven days of the date the amended bid is made public, prepare and make public, cf. Article 52, a supplement to its circular giving the Board's opinion on the changes concerned.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 42]¹⁾ *Revocation of a bid*

[A bid which has been made public, as provided for in Article 52, cannot be revoked except under *force majeure*.

A voluntary bid may, however, be revoked if any of the following conditions are fulfilled.

1. another bid is made which is comparable to or more favourable than the takeover bid,
2. a condition to which the bid is subject, and which is stated in the offer document, is not satisfied,
3. the limited company which is the subject of the bid increases its share capital, or

4. other special circumstances so warrant.

The Financial Supervisory Authority must approve the revocation of a bid. Revocation of a bid shall be made public, cf. Article 52.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 43

Lapsing of a bid

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

If a bid lapses for the above-mentioned reasons, the offeror and parties acting in concert with him/her may not make a new bid nor exceed the limits upon which the bidding obligation is based, as provided for in Article 37, during the next 12 months, unless prior approval has been obtained from the Financial Supervisory Authority.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 44 Amendments to a bid

The offeror may at any time during the period of validity of a bid amend the bid if such changes result in more favourable terms for other shareholders. If changes are made to a bid when less than two weeks remain of its period of validity, the period of validity shall be extended so that it will be valid for at least two weeks after the amended bid has been made public.

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

Amendments to a bid shall be made public, cf. Article 52.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 45 Competing bids

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

If the previous bid is not revoked or amended following the advent of the competing bid, its period of validity shall be extended to accord with the period of validity of the competing bid.

If a competing bid is put forward, shareholders who have accepted a conditional voluntary bid, cf. the fourth paragraph of Article 38, may withdraw their acceptance at any time during the period of validity of the bid if the offeror has not publicly announced, before the proposed competing bid was announced, that he/she has waived all the conditions set in the bid or that all conditions have been fulfilled.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 46 Information on the results of a bid

The offeror shall make public information on the results of the bid in a notification to the regulated securities market concerned within three business days of the expiry of the period of validity of the bid.

In the case of a voluntary bid, the notification must state whether the conditions set in the bid have been fulfilled and, if not, whether the offeror intends

nonetheless to follow through on the bid or revoke it. A bid may not be revoked after the time prescribed in the first paragraph.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 47 *Right of squeeze-out and sell-out*

If the offeror and parties acting in concert with him/her, as provided for in Article 37, acquire more than 9/10 of the share capital or voting rights in the target company, the offeror and Board of the company may jointly decide to require other shareholders in the company to sell the offeror their shares. If this is decided, such shareholders shall receive notification, in the same manner as applies to convening an annual general meeting, as appropriate, encouraging them to transfer their shares to the shareholder [offeror] within four weeks' time. The conditions for redemption shall be stated in the notification. If an offeror demands redemption within three months from the end of the period of validity of the bid, the price offered in the bid shall be considered a fair redemption price, unless the provisions of the third paragraph of Article 40 apply.

If a holding is not transferred, as provided for in the first paragraph, the equivalent price shall be deposited in a holding account in the name of the rightholder. From that time forth the shareholder [offeror] shall be deemed the rightful owner of the shares and the shares of the previous owner invalid. Detailed provisions in this respect may be set in Articles of Association.

If the offeror and parties acting in concert with him/her, as provided for in Article 37, acquire more than 9/10 of the share capital or voting rights in the target company, any individual minority shareholder shall be entitled to demand redemption of his/her shares by the offeror. If a shareholder demands redemption within three months from the end of the period of validity of the bid, the price offered in the bid shall be considered a fair price, unless the provisions of the third paragraphs of Article 40 apply.

The cost of redemption shall be paid by the offeror.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

[Article 48 *Remedies if no bid is made*

If a party required to submit a mandatory bid, as provided for in Article 37, fails to put forward a bid within the time limit or within four weeks of the time the Financial Supervisory Authority has ruled that a bidding obligation exists due to parties acting in concert, the Financial Supervisory Authority may cancel all the voting rights held by the parties concerned in the company. In such case these shares shall not be included in calculations of how great a portion of share capital is represented by voting rights at shareholders' meetings. The Financial Supervisory Authority shall notify the company concerned of the invalidity of voting rights. Once this has been done the parties concerned must sell that portion of the holding in excess of the authorised limits, cf. Article 37. The Financial Supervisory Authority shall set a deadline for so doing, which shall be a maximum of four weeks. If the holding has not been sold by the specified time, the Financial Supervisory Authority may apply per diem fines in accordance with the Act on Official Supervision of Financial Activities.

The Financial Supervisory Authority may also set conditions for the exercise of voting rights by a party required to make a mandatory bid or cancel his/her voting rights before the time prescribed in the first paragraph if special grounds so warrant.]¹⁾

¹⁾[Act No. 31/2005, Article 6.](#)

CHAPTER VII
Offer document
[Article 49]¹⁾

Scope of the Chapter

[The provisions of this Chapter shall apply to the offer document which must be prepared and made public in connection with a takeover bid.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 7.](#)

[Article 50]^{1) ...2)}

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 8.](#)

[Article 51]¹⁾ *Contents of the offer document*

[The offer document must include at least the following information:

1. the name, address and Id. No. of the target company;
2. the name and address of the offeror and, where the offeror is a company, its legal form, together with a list of the natural or legal persons expected to be involved in the transaction together with the offeror, or who are acting in concert with the offeror, as provided for in Article 37;
3. details of the voting rights, influence or shares already acquired by the offeror and parties acting in concert with him/her, as provided for in Article 37, directly or indirectly or which the offeror has secured by other means, as well as the anticipated voting rights, influence or shares of the offeror following the sale, as appropriate;
4. the maximum and minimum percentages or quantities of shares which the offeror undertakes to acquire, in the case of a voluntary bid;
5. the consideration offered in the bid, how this was determined and when payment is to be made. Information shall also be provided as to whether shareholders accepting the bids will incur any costs;
6. financing of the bid;
7. information as to how payment shall take place and, if shares are offered as payment, information on these shares and how the exchange will be determined.
8. the date shares are to be delivered and when the voting rights they confer may be exercised;
9. any other conditions to which the bid may be subject, including under what circumstances it may be revoked;
10. the period of validity of the bid;
11. what recipients of the bid must do to indicate their acceptance;
12. a summary by the offeror of future intentions for the company, including plans for its activities and how the company's financial assets should be used, information on the continuing listing of the company's shares on a stock exchange, changes to its Articles of Association, and anticipated restructuring, if applicable. Mention shall also be made of possible impact of the takeover on the jobs of management and employees and their conditions of employment, and the location of the companies' places of business. If the offeror is a company and the offer will affect that company, a similar summary shall also be published concerning that company;

13. information on anticipated agreements with other parties to exercise voting rights in the company, insofar as the offeror is a party to such an agreement or is aware of such;
14. information on any sort of fringe benefits or payments made by the offeror and parties acting in concert with him/her to Board members or management of the target company;
15. information on the national law which will govern contracts concluded between the offeror and shareholders as a result of the bid and the competent courts;
16. other information of significance.

The offer document must be approved by the Financial Supervisory Authority prior to being made public, as provided for in Article 52. If substantial changes occur to the information contained in an offer document after it has been made public, or if it turns out that an offer document fails to fulfil the requirements listed in the first paragraph, the Financial Supervisory Authority may demand that further information be made public with seven days.

The Financial Supervisory Authority may reach an agreement with a regulated securities market to grant approval for offer documents, cf. Article 71. Such an agreement shall state what tasks are entrusted to the regulated securities market and the conditions for their application. Compensation for scrutiny and approval of offer documents shall be determined by the Financial Supervisory Authority or regulated securities market concerned.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 9.](#)

[Article 52]¹⁾ Offer document made public

[Notice of an offer document shall be published in one or more daily newspapers issued in Iceland no later than four days prior to the date the bid takes effect, provided that the approval of the Financial Supervisory Authority, cf. the second paragraph of Article 51, has been obtained. The notice shall state where the offer document can be obtained. Registered shareholders in the target company shall be sent the offer document concurrently at the offeror's expense. The offer document shall also be presented to the employees of the companies in question.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 10.](#)

CHAPTER VIII

Price formation on a registered securities market

[Article 53]¹⁾

Scope of the Chapter

The financial instruments covered by the provisions of this Chapter are:

1. [securities which have been listed, or for which listing has been sought, on a registered securities market and]²⁾
2. [financial instruments linked to one or more of the securities referred to in Point 1.]²⁾

[The provisions of Article 55 shall not apply in the case of:

1. trading in own shares in buy-back programmes or for stabilisation of financial instruments, provided such trading is carried out in accordance with a regulation adopted by virtue of Article 73;

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

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 11.](#)

[Article 54]¹⁾

Market maker

A financial undertaking authorised to trade in securities may, by means of a contract with an issuer, oblige itself to act as market maker, i.e. buy and sell specific financial instruments for its own account or the account of the issuer [of specified securities]²⁾, in order to promote the development of a market price for them.

A market maker must send notification of any agreement as provided for in the first paragraph to the regulated securities market where the security in question is listed. The notification must contain the following information on the contract:

1. minimum amount of bid and offer quotes,
2. maximum amount of total trading amount each day,
3. maximum bid and offer spreads, and
4. how the financial undertaking intends in other respects to fulfil its

obligations under the contract.

A market maker must each day submit bid and offer quotes in the trading system of a registered securities market prior to the opening of the market. If a market maker's offer is accepted or cancelled by the market maker, it must renew the quote as promptly as possible until its trading each day has reached the maximum trading amount.

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

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 12.](#)

[55.-gr.]¹⁾

Market abuse and intermediation of a financial undertaking

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

1. transactions or orders to trade which:
 - a. give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or
 - b. secure the price of one or more financial instruments at an abnormal or artificial level,
 unless the person who conducted the transactions or issued the orders to trade can establish that there were legitimate reasons for so doing and that these transactions or orders to trade conform to accepted market practices on the regulated securities market concerned;
2. transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;
3. dissemination of information, news or rumours which give, or are likely to give, false or misleading information or signals concerning financial instruments, where the person who disseminated the information knew, or should have known, that the information was false or misleading. In the case of journalists, disseminating such information in their professional capacity, such dissemination of information should

be assessed having regard for the rules governing their profession, provided those persons derive neither advantage nor profit, directly or indirectly, from the dissemination of the information in question.

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

If an employee of a financial undertaking suspects that a violation of the provisions of the first paragraph has been committed, the employee must immediately notify his/her immediate superior or the compliance officer. The undertaking in question must notify such suspicions immediately to the Financial Supervisory Authority, or an employee may do so. Information disclosed by a financial undertaking or its employee, provided in good faith as referred to in this paragraph, shall not be regarded as a violation of confidentiality by which the party concerned may be obliged by law or other means. Such information provision shall neither make the party concerned subject to criminal sanctions nor liable for damages. Neither clients nor other unauthorised parties may be informed that the Financial Supervisory Authority has been provided with information in accordance with the first sentence of this paragraph.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 13.](#)

CHAPTER IX

Treatment of Insider Information and Insider Trading

[Article 56]¹⁾

Scope of the Chapter

The financial instruments covered by the provisions of this Chapter are:

1. [securities which have been listed, or for which listing has been sought, on a registered securities market and]²⁾
2. [financial instruments linked to one or more of the securities referred to in Point 1.]²⁾

[The provisions of Article 60 shall not apply to trading in own shares in buy-back programmes or for stabilisation of financial instruments, provided such trading is carried out in accordance with a regulation adopted by virtue of Article 73. Other provisions in this Chapter shall apply as appropriate.]²⁾

¹⁾[Act No. 31/2005, Article 6.](#) ²⁾[Act No. 31/2005, Article 14.](#)

[Article 57

Insider information

“Insider information” shall mean sufficiently precise information, which has not been made public, relating directly or indirectly to issuers of securities, the securities themselves or other aspects, and which would be likely to have a significant impact on the market price of the financial instruments if it were made public, as provided for in detail in a regulation adopted by virtue of Article 73. Notifications to regulated securities markets shall be considered to be public information once disseminated by such markets. Other information shall be considered to have been made public once it has been disseminated on the securities market in a public and recognised manner.]¹⁾

¹⁾[Act No. 31/2005, Article 15.](#)

[Article 58]
Insider

An “insider” shall mean:

1. a *primary insider*, i.e. a party who has as a rule access to insider information by virtue of a holding in or membership of the Board, management or supervisory bodies of, or due to other tasks carried out for, a securities issuer;
2. a *temporary insider*, i.e. a party who is not considered a primary insider but who possesses insider information by virtue of his/her employment, position or responsibilities, and
3. an *other insider*, a party who is considered neither a primary insider nor temporary insider, but who has learned of insider information, provided the person in question knew or should have known the nature of this information.]¹⁾

¹⁾[Act No. 31/2005, Article 15.](#)

[Article 59]

*Duty of disclosure, delay of public disclosure and
legitimate dissemination of insider information*

Issuers of securities, which have been listed on a regulated securities market, must notify the regulated securities market where the securities are listed without delay of all insider information which concerns the issuer. A regulated securities market must disseminate information as referred to in the first sentence in its information system; the information shall be considered to be public information once disseminated by such markets.

Once insider information has been made public as provided for in this Article, the issuer concerned shall post the insider information on its Internet website.

An issuer of financial instruments may, on its own responsibility, delay the public disclosure of information referred to in the first paragraph to protect its legitimate interests, provided that such delay is not likely to mislead the public and provided that the issuer is able to ensure the confidentiality of such information, as provided for in a regulation issued by virtue of Article 73.

If an issuer utilises the option to delay disclosure provided for in the third paragraph, the issuer, or a party acting on its behalf, may only disclose the insider information to a third party if such is done in the normal exercise of employment, profession or duties of the party providing the information and the recipient of the information is bound by a duty of confidentiality based, for instance, on a law, regulation or contract.]¹⁾

¹⁾[Act No. 31/2005, Article 16.](#)

[Article 60]¹⁾

Insider Misconduct

Insiders may not:

1. [directly or indirectly]²⁾ acquire or dispose of financial instruments, either on their own account or for others, if they possess insider information;
2. disclose insider information to a third party, unless such is done in normal connection with the employment, position or duties of the party providing the information;

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

[The provisions of the first paragraph shall also apply to:

1. legal entities and parties involved in decisions on transactions in financial instruments on the account of the legal entity;
2. parties possessing insider information as a result of illegal actions.

The provisions of Point 1 of the first paragraph shall not apply to:

1. insider trading fulfilling a due contractual obligation to acquire or dispose of financial instruments established before the insider acquired insider information;
2. transactions carrying out a client's direct instructions concerning the disposal, ordering or brokering of financial instruments, or complying in customary manner with a contractual market making obligation, in accordance with the provisions of Chapter VIII.]²⁾

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

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 31/2005, Article 17.](#)

[Article 61]¹⁾

Intermediation by a financial undertaking

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

[If an employee of a financial undertaking suspects that trading as referred to in the first paragraph has been concluded, the employee must immediately notify his/her immediate superior or the compliance officer. The undertaking in question, or an employee, must notify such suspicions immediately to the Financial Supervisory Authority. Information from a financial undertaking or its employee, provided in good faith as referred to in this paragraph, shall not be regarded as a violation of confidentiality by which the person concerned may be obliged by law or other means. Such information provision shall neither make the party concerned subject to criminal sanctions nor liable for damages. Neither clients nor other unauthorised parties may be informed that the Financial Supervisory Authority has been provided with information in accordance with the first sentence of this paragraph.]²⁾

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 31/2005, Article 18.](#)

[Article 62]¹⁾

Obligation of primary insiders to investigate

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

¹⁾[Act No. 31/2005, Article 16.](#)

[Article 63]¹⁾

Obligation of primary insiders to give notification

Before a primary insider, or any party financially linked to him/her, concludes transactions with the issuer's securities, the primary insider must notify the person appointed in accordance with rules [set pursuant to Article 67]²⁾ of this Act (the compliance officer). Similarly, a primary insider must send notification without delay if he/she or any party financially linked to him/her has concluded a transaction with the issuer's securities. The issuer in question shall, that same day, send notification of the transaction to [the Financial Supervisory Authority].³⁾

The provisions of the first paragraph shall also apply to anticipated transactions with financial instruments which are linked to securities referred to in the first paragraph.

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 82/2005, Article 5.](#) ³⁾[Act No. 31/2005, Article 19.](#)

[Article 64]¹⁾

Making public information on [managers']²⁾ transactions

[In addition to the notification of insider trading provided for in Article 63, an issuer must, without delay, send notification of transactions by the issuer's managers with the issuer's shares or other financial instruments linked to them to the registered securities market where the securities in question are listed or for which a listing has been sought. The regulated securities market concerned shall make the information public, provided the market value of the transaction is at least ISK 500,000 or the total change in the holdings of the manager concerned of shares in the issuer during the preceding four weeks amounts to at least ISK 1,000,000.]²⁾

Notification as provided for in the first paragraph must state:

1. the name of the securities issuer,
2. the date of the notification,
3. the name of the primary insider or financially connected party, as applicable,
4. the primary insider's connection with the issuer of the securities,
5. the date and time of day of the transaction,
6. the type of financial instrument,
7. whether a purchase or sale was involved,
8. the nominal price and selling rate in the transaction,
9. the nominal value of the holding by either the primary insider and financially connected party respectively after the transaction, and
10. the date of the final settlement of the transaction, if applicable.

[For the purposes of this Act, "managers" shall mean members of the Board, CEOs, managing directors, supervisory committees and other managerial personnel who are an issuer's primary insiders and are authorised to take decisions which can affect the future course of events and performance of the issuer. The same shall apply to parties financially connected with the above-listed managers.]²⁾

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 31/2005, Article 20.](#)

[Article 65]¹⁾

List of insiders

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

1. the name of the issuer,
2. the regulated securities market on which the issuer's securities are listed or where listing has been applied for,

3. the name, identification number and address of the insider,
4. the insider's connection with the issuer,
5. the reason for registration of the insider, and
6. names of parties financially linked to the insider.

The Financial Supervisory Authority shall keep a list of primary and temporary insiders. It may make more detailed provision for the information to be provided in accordance with the first paragraph. Any changes to information listed in the first paragraph must be notified immediately to the Financial Supervisory Authority. An updated list of insiders must be sent to the Financial Supervisory Authority no less frequently than at six month intervals.

An issuer must also send information as provided for in the first and second paragraphs to the registered securities market where the issuer's securities are listed or where listing has been applied for.

Information on primary insiders contained in the insiders' lists of the Financial Supervisory Authority shall be made public in the manner decided upon by the Authority.

¹⁾[Act No. 31/2005, Article 16.](#)

[Article 66]¹⁾

[Notification of legal status as insiders]²⁾

An issuer who has sent notification to the Financial Supervisory Authority of an insider, as provided for in [Article 65]³⁾, must inform the insider in question of such in writing. Furthermore, the issuer must inform the insider in writing when he/she has been removed from the register.

An issuer must acquaint an insider with the rules and legislation which apply to insiders and the treatment of insider information.

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 31/2005, Article 21.](#) ³⁾[Act No. 82/2005, Article 6.](#)

[Article 67]¹⁾

[Supervision of treatment of insider information and insider trading]

The Board of Directors of an issuer of securities listed on a regulated securities market is responsible for ensuring compliance with rules issued by the Financial Supervisory Authority pursuant to Article 73, on the treatment of insider information and insider trading. The Board shall appoint a compliance officer or formally approve the appointment. An alternate compliance officer shall be appointed in the same manner. The compliance officer is responsible for compliance with the above-mentioned rules within the issuer and is to submit a report to the issuer's Board on the implementation of compliance as often as deemed necessary but no less frequently than once a year.

Public authorities and other parties who regularly receive insider information through their activities must comply with the rules of the Financial Supervisory Authority on treatment of insider information and insider information, as applicable.²⁾

¹⁾[Act No. 31/2005, Article 16.](#) ²⁾[Act No. 31/2005, Article 22.](#)

CHAPTER X

[Supervision and Regulations]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 68

General supervision

The Financial Supervisory Authority shall supervise the implementation of this Act and rules adopted by virtue of it. Its authorisation shall be as provided for in this Chapter and in the Act on Public Supervision of Financial Activities.

In connection with the investigation of a specific case, the Financial Supervisory Authority may demand any information and documentation it deems necessary from individuals and legal entities. Legal provisions on confidentiality shall not limit the obligation to provide information and access to documentation in accordance with this Article.

If the Financial Supervisory Authority is of the opinion that rules concerning public offers of securities have not been complied with, it may suspend an offer and grant a time limit for rectification, if such is possible. The Financial Supervisory Authority may issue a public statement on the case in question and levy per diem fines on those connected with a public offer as provided for in the Act on Public Supervision of Financial Activities.

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

If the Financial Supervisory Authority deems that rules on the public disclosure of information, as provided for in Article 16 and Chapter IX of this Act, have not been complied with it may take measures necessary to properly inform the public.

In other respects, the provisions of the Act on Public Supervision of Financial Activities, No. 87/1998, shall apply to supervision of the implementation of this Act, including the supervisory authorisations and remedies provided in Articles 9-11 of the Act.]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 69

Supervision concerning insider misconduct and market abuse

In addition to the general supervisory authorisations provided for in Article 68, the Financial Supervisory Authority may apply the provisions of this Article to supervise compliance with the provisions of Chapters VIII and IX.

Telecommunications operators must provide the Financial Supervisory Authority with access to existing records on telephone conversations or communications with specific telephones or telecommunications devices, provided the consent of the responsible party and actual user has been given. If the consent of the responsible party and actual user has not been obtained, the Financial Supervisory Authority may request a court order granting access to the records of telecommunications operators referred to in the first sentence of this paragraph. The provisions of Article 87 of the Criminal Proceedings Act, No. 19/1991, shall apply concerning the conditions and treatment of such a request, with the exception of subparagraph b of the second paragraph of Article 87, which does not apply to actions in accordance with this paragraph.

If the Financial Supervisory Authority deems certain practices to be contrary to the provisions of this Act on insider misconduct or market abuse, the Authority

may demand that such practices cease immediately. The Financial Supervisory Authority may also demand the suspension of business activities temporarily in order to prevent practices deemed to be contrary to the provisions of this Act concerning insider misconduct or market abuse. The Financial Supervisory Authority may also demand that a regulated securities market temporarily suspend trading in financial instruments in dealing with a particular case.

The Financial Supervisory Authority may demand that the assets of a natural or legal person be impounded, if there are legitimate grounds to suspect that the practices of the latter violate the provisions of this Act concerning insider misconduct or market abuse. The provisions of Article 85 of the Criminal Proceedings Act, No. 19/1991, shall apply concerning the conditions and treatment of such a request, as appropriate.]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 70¹⁾

Supervision of public offers and prospectuses

The provisions of the first three paragraphs of Article 68 shall apply to supervision of public offers and prospectuses.

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

1. require issuers, offerors or parties requesting a listing on a regulated securities market to publish additional information in a prospectus, if required, for the purpose of investor protection;
2. require issuers, offerors or parties requesting a listing on a regulated securities market and the persons that control them or are controlled by them to provide information and documents;
3. require auditors and managers of the issuer, offeror or party seeking a listing on a regulated securities market, as well as co-ordinators of the offer or the listing on a regulated securities market, to provide information;
4. suspend a public offer or listing on a regulated securities market for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting an infringement of Chapter IV;
5. prohibit or suspend advertisements for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting an infringement of Chapter IV;
6. prohibit a public offer if it finds that the provisions of Chapter IV have been infringed;
7. suspend, or request the relevant regulated markets to suspend, trading for a maximum of 10 consecutive working days on any single occasion, if it has reasonable grounds for suspecting that a violation of Chapter IV has been committed;
8. prohibit trading on a regulated securities market if it deems that the provisions of Chapter IV have been infringed;
9. make public the fact that an issuer has failed to fulfil its obligations as provided for in Chapter IV.

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

1. require the issuer to disclose all material information which may have an effect on the assessment of the securities listed on a regulated securities market, in order to ensure investor protection and the proper functioning of the market;
2. suspend, or request the relevant regulated securities market to suspend, trading provisionally or indefinitely as the case may be, if the Authority deems the issuer's situation to be such that trading would be detrimental to investors' interests;
3. have on-site inspections of issuers carried out within its territory to verify compliance with the provisions of Chapter IV.]²⁾

¹⁾[Act No. 31/2005, Article 23.](#) The Article shall take effect 1 January 2006, in accordance with Article 27 of the same Act.

[Article 71

Supervision by the regulated securities market

The Financial Supervisory Authority may entrust a regulated securities market with supervisory tasks as provided for in this Act. The Financial Supervisory Authority may provide a regulated securities market with information concerning such supervisory tasks. A regulated securities market may obtain information from parties on the market concerned for supervisory tasks entrusted to it in accordance with this paragraph. The authorisation to charge a fee for individual tasks, which is granted to the Financial Supervisory Authority in this Act, shall apply to a regulated securities market which has been entrusted with such tasks.

The supervision provided for in the first paragraph shall be explained in a declaration concluded by the Financial Supervisory Authority and regulated securities market. The declaration shall be made public. The declaration shall explain the premises underlying the supervision carried out by the regulated securities market, its implementation and the division of responsibilities between the Financial Supervisory Authority and the regulated securities market. It shall also explain the arrangements for communication of information, as referred to in the first paragraph.]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 72

Transparency in the work of the Financial Supervisory Authority

The Financial Supervisory Authority is authorised to make public the results of cases/investigations concerning provisions of the Act unless such publication can be considered to jeopardise the interests of the financial market, does not affect its interests as such, or causes damage to the parties involved which is disproportionate to the offence in question. The Financial Supervisory Authority shall publish the policy followed by the Authority concerning such publication.]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 73]¹⁾

Regulation

[The Minister shall issue a Regulation on the detailed implementation of this Act. The Regulation shall include provisions on:

1. a definition of institutional investors,
2. obligations of shareholders to provide a stock exchange with information, as well as when exemptions may be granted from the disclosure requirement;

3. the offering and listing of securities, including the events preceding the issuing of a prospectus,
4. the period of the offer,
5. the subjects and information to be included in a prospectus,
6. information to be incorporated in the prospectus by reference,
7. approval of the prospectus,
8. arrangements for publication of the prospectus,
9. on-going disclosure obligations,
10. the authorisations of the Financial Supervisory Authority to grant exceptions from publishing certain information in a prospectus or from publishing any prospectus at all,
11. advertisements of offers and listing of securities,
12. supplements and approval of a prospectus [supplement],
13. languages used in prospectuses,
14. a definition of the home member state, as defined in Chapter IV [sic] of the Act,
15. offers of securities with a value between ISK 8.4 and 210 m.

In other respects, the Minister may set provisions in a Regulation which accord with the provisions of Directive 2003/71/EC, on the prospectus to be published when securities are offered to the public or admitted to trading.

The Minister shall also set a Regulation defining in detail:

1. insider information;
2. insider information in the case of commodity derivatives;
3. market abuse;
4. the form and content of public announcements of insider information;
5. legitimate interest justifying a delay in making insider information public;
6. accepted market practices;
7. notifications from financial undertakings or their employees of a suspicion of a violation, cf. the third paragraph of Article 55 and the second paragraph of Article 61;
8. exemptions from the provisions on market abuse for buy-back programmes and stabilisation of financial instruments;

The Minister may also set detailed provisions in a Regulation on:

1. disclosure obligations of issuers with securities listed on more than one stock exchange;
2. nominee registration, including the cancelling of authorisations to register financial instruments in a nominee account, as provided for in the first paragraph of Article 11, and for the identification of a nominee account, including information on the number of owners included in a nominee account.

The Financial Supervisory Authority shall set rules on:

1. public investment recommendations, including the fair presentation and publication of investment recommendations, identifying the parties making the investment recommendations or publishing them, interests and conflicts of interest, and a definition of the concept of research;
2. treatment of insider information, including measures taken to prevent insider information from spreading to persons other than those who need it in their work;
3. insider trading, including how the obligations of primary insiders to investigate, as provided for in Article 62, are to be fulfilled;
4. the role and position of the compliance officer, cf. Article 67;

5. registering of exchanges covered by the rules provided for in Article 67;
6. a definition of financially connected parties;
7. lists of insiders;
8. notifications of trading by primary insiders, management and financially connected parties.]¹⁾

¹⁾[Act No. 31/2005, Article 23.](#)

CHAPTER XI Sanctions

[Article 74]¹⁾

Administrative fines

The Financial Supervisory Authority may levy administrative fines on anyone violating the provisions of [Articles 59 and Articles 62-67]²⁾ on insider trading.

Administrative fines may be from ISK 10,000 to 2 million, and shall accrue to the National Treasury. In determining the fine, regard shall be had for the seriousness of the violation. Decisions on administrative fines shall be taken by the Board of the Financial Supervisory Authority and are enforceable by execution.

A decision by the Financial Supervisory Authority on administrative fines may be referred to an appeal committee, in accordance with the Act on Public Supervision of Financial Activities, within three months of the notification of such decision to the party concerned. Referral to the appeal committee shall postpone execution but the committee's rulings on administrative fines are enforceable by execution.

¹⁾[Act No. 31/2005, Article 23.](#) ²⁾[Act No. 31/2005, Article 24.](#)

[Article 75]¹⁾

Fines

[Violations of this Act concerning the following shall be liable to fines unless more severe penalties are prescribed in accordance with other Acts:

1. flagging obligations, as provided for in [Article 28],²⁾
2. a mandatory bid, as provided for in Article 37;
3. an offer document, as provided for in the sixth paragraph of Article 37 and Chapter VII;
4. obligations of the Board of Directors, as provided for in Article 41;
5. duty of disclosure, delay of public disclosure and legitimate dissemination of insider information, as provided for in Article 59; and
6. insider trading, as provided for in Articles 62-67.]³⁾

Blatant or repeated violations of this Act concerning rights and obligations, as provided for in Chapter II, shall be liable to fines unless more severe penalties are prescribed in accordance with other Acts.

¹⁾[Act No. 31/2005, Article 23.](#) ²⁾[Act No. 82/2005, Article 7.](#) ³⁾[Act No. 31/2005, Article 25.](#)

[Article 76]¹⁾

Imprisonment of up to one year

Violations of this Act concerning the following shall be liable to fines or imprisonment of up to one year in duration, unless more severe penalties are prescribed in accordance with other Acts:

1. a public offer, as provided for in the second paragraph of [Article 21],²⁾
2. information in a prospectus, as provided for in [Article 22]²⁾, and

3. co-ordination of a public offer of securities, as provided for in the first paragraph of [Article 26.]²⁾

Violations of this Act concerning the obligation of primary insiders to investigate, as provided for in [Article 62],²⁾ shall be liable to fines or imprisonment of up to one year in duration, unless more severe penalties are prescribed in accordance with other Acts, provided insider information was available within the issuer where they are primary insiders.

¹⁾[Act No. 31/2005, Article 23.](#) ²⁾[Act No. 82/2005, Article 8.](#)

[Article 77]¹⁾

Imprisonment of up to two years

Violations of this Act concerning the following shall be liable to fines or imprisonment of up to two years in duration, unless more severe penalties are prescribed in accordance with other Acts:

1. market abuse, as provided for in the first paragraph of [Article 55],²⁾
2. insider misconduct, as provided for in [Article 60]²⁾, and
3. intermediation by a financial undertaking, as provided for in the second paragraph of [Article 55]²⁾ and the first paragraph of [Article 61].²⁾

¹⁾[Act No. 31/2005, Article 23.](#) ²⁾[Act No. 82/2005, Article 9.](#)

[Article 78]¹⁾

Other penalties

In the event that a violation is committed in the course of the activities of a financial undertaking or other legal entity, such a legal entity may be fined. The liability shall be as provided for in Part A of Chapter II of the Criminal Code.

By the judgement of a court, any direct or indirect benefit acquired through a violation of the provisions of this Act may be confiscated.

An attempt to commit or complicity in a violation of this Act is liable to punishment as prescribed by the Criminal Code.

Violations of this Act shall be liable to punishment whether committed intentionally or through negligence.

Any culpability resulting from the provisions of this Chapter shall expire in five years' time.

¹⁾[Act No. 31/2005, Article 23.](#)

CHAPTER XII

Entry into force, etc.

[Article 79]¹⁾

Transposition

This Act is adopted in order to transpose into Icelandic law the provisions of Council Directives 89/298/EEC, co-ordinating the requirements for the drawing-up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public;

89/592/EEC, co-ordinating regulations on insider dealing;

93/22/EEC, on investment services in the securities field; and 2001/34/EC on co-ordination of the admission of securities to official stock exchange listing and on information to be published on those securities.

[The provisions of this Act also transpose into Icelandic law the provisions of Directive 2003/6/EC of the European Parliament and the Council, on insider dealing and market manipulation (market abuse); Commission Directive 2003/124/EC, on the definition and public disclosure of inside information and the definition of market manipulation; Commission Directive 2003/125/EC, on fair presentation of investment recommendations and the disclosure of conflicts of interest; Commission Directive 2004/72/EC, on accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions; Commission Regulation 2273/2003/EC, on exemptions for buy-back programmes and the stabilisation of financial instruments; Directive 2004/25/EC of the European Parliament and of the Council, on takeover bids; and Directive 2003/71/EC of the Council, on the prospectus to be published when securities are offered to the public or admitted to trading.]²⁾

¹⁾[Act No. 31/2005, Article 23.](#) ²⁾[Act No. 31/2005, Article 26.](#)

[Article 80]¹⁾

Entry into force

This Act shall enter into force on 1 July 2003. ...

¹⁾[Act No. 31/2005, Article 23.](#)

[Article 81]¹⁾ ...

¹⁾[Act No. 31/2005, Article 23.](#)

Temporary provisions

In the event that a shareholder holds more than 40% of the voting rights in a company which was listed on a regulated securities market upon the entry into force of this Act, the shareholder shall not be obliged to make a mandatory bid as provided for in the first paragraph of Article 32 of this Act, provided the shareholder does not increase its voting rights in the company in excess of the next substantial holding, cf. the first paragraph of Article 27. The same shall apply if a party has, on the basis of an agreement with other shareholders, rights to control the equivalent of 40% of voting rights in the company upon the entry into force of this Act.

