

## **Provisions governing investment services in Iceland**

This document is intended to give an overview of Icelandic legislation and administration that investment firm from other EEA countries must bear in mind when providing services in Iceland.

This document is not exhaustive.

The Financial Supervisory Authority maintains a website at [www.fme.is](http://www.fme.is) where, inter alia, you can find English translations of a selection of laws and regulations on the activities of investment firms in Iceland, including the mentioned law below.

### **Act No 33/2003 on Securities Transactions**

#### **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.

##### 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 23, 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.

#### 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 latter.

#### 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 pursuant to 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 various 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

Transactions for 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 pursuant to 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.

