

This is an English translation.

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

Financial Services and Markets - Regulation No 397/2000 on electronic registration of securities in a central securities depository.

English translation

CHAPTER I Scope, etc.

Article 1

Only a central securities depository, which has been granted a licence as provided for by the Act on Electronic Registration of Securities, may handle the issuing of electronic security certificates, accept them for deposit and preserve a record of rights to them.

The provisions of this Regulation shall apply to electronic issuing of securities in a central securities depository and the registration of rights to such (registration of title), their preservation, the preparation of accounts, account statements and other activities involved in registration of title, as well as the rights and obligations of account operators, cf. Article 2

The provisions of this Regulation shall also apply to the notice of recall of rights accorded by tangible security certificates and their registration of title in a central securities depository (electronic registration of securities), cf. Chapter VII.

Article 2

Enterprises offering securities services which are authorised by law to deal in securities for their own account, commercial banks, savings banks, credit institutions other than commercial and savings banks, the National Debt Management Agency and the Central Bank of Iceland are authorised to act as intermediaries in registration of title in a central securities depository. In order to act as intermediaries in registration of title, parties must have concluded a valid agreement of association with a central securities depository. A party which has concluded an agreement of association as provided for in this Article shall be regarded as an account operator for the purposes of this Regulation.

Detailed rules on and conditions for the association of the account operator shall be as determined by its agreement of association with the Board of the central securities depository,

which shall also prescribe its rights and obligations as an intermediary for registration of title in a central securities depository, unless otherwise provided for by law, regulations or rules adopted on their basis.

Should a foreign party, authorised to act as an asset depository and as an intermediary for the registration of title to securities, cf. Article 12 of Act No. 131/1997, request to be associated with an Icelandic central securities depository, the Board of the central securities depository shall seek the approval of the Financial Supervisory Authority before granting its association. The same shall apply if a central securities depository requests to act as an intermediary for registration of title in another central securities depository in Iceland or abroad.

Article 3

Rules adopted by the Board of a central securities depository and approved by the Minister shall provide for the types of securities it shall accept for electronic registration of title. The rules of a central securities depository shall ensure impartiality towards the types of securities which it accepts for registration of title and non-discrimination between issuers requesting registration of their securities there.

Rules adopted in accordance with this Article shall be published and made accessible to the public. The same shall apply to the tariff and rules on arrangements for collection of fees by a central securities depository for the handling of securities (electronic security certificates) which it has registered.

CHAPTER II

Issuing of electronic security certificates

Article 4

Request for the issuing of electronic security certificates

An account operator shall, on behalf of an issuer wishing to issue electronic security certificates, send the central securities depository concerned a description of the issue. This shall include the main identifying characteristics of the issue, the nominal value and other conditions concerning the issue which oblige the issuer. Rules adopted by the Board of a central securities depository shall prescribe in detail the minimum information which must be included in an issue description.

Electronic security certificates may not be issued unless an issue description has been received and approved by a central securities depository.

On the basis of the approved issue description, electronic security certificates shall be issued by a central securities depository for an account in the name of the issuer itself. Electronic security certificates shall be issued in units of the same nominal value, in the case of the same class of securities, and may be listed as multiples of units at nominal value.

Article 5

Notwithstanding the provisions of Article 4, the Board of a central securities depository may, by concluding a special agreement of association, grant an issuer of market securities authorisation to act as intermediary for the issuing and initial transfer of electronic security certificates which it issues, in accordance with its operating authorisations on the financial market.

The provisions of acts, regulations and rules adopted on their basis, concerning the rights and obligations of account operators, shall apply fully to issuers acquiring the right to handle the issuing and initial transfer of electronic security certificates in accordance with this Article.

Article 6

A central securities depository must notify an account operator and issuer if it refuses a request for the issuing of electronic security certificates and of the right of the party to refer any dispute to the Rulings Committee provided for in Article 25 of Act No. 131/1997.

CHAPTER III Opening of accounts, etc.

Article 7

General provisions

The initial transfer from the account of the issuer shall be made to the account which the initial transferee has opened and referred to for deposit.

In recalling tangible share certificates and having them electronically registered in a central securities depository the issuer shall, through the inter-mediation of the central securities depository, open accounts in the names of the shareholders, in accordance with the company's register of shareholders, and have their rights to shares registered there, cf. the detailed provisions of Chapter VII of this Regulation.

Article 8

Opening accounts

The owner of an electronic security certificate shall select an account operator, cf. Article 2, which shall serve as intermediary in electronic registration of title of securities in his/her name, unless otherwise expressly provided for in the Act or rules adopted by virtue of it. The owner of an electronic security certificate may open accounts with more than one account operator.

The owner of an electronic security certificate may at any time request that electronic security certificates in his/her account with a central securities depository be transferred to his/her account with another account operator, provided such is not precluded by the provisions of Articles 15 or 30-32.

Article 9

An account shall indicate at least the following:

1. the account operator,
2. identification number of the security (ISIN),
3. number of units (nominal value),
4. name, identification number and address of the account owner,
5. name, identification number and address of the rightholders to an electronic security certificate registered in the account,
6. name, address and identification number of the legitimate recipient of payments to whom a central securities depository shall properly convey payment, in accordance with the instructions for payment received by the central securities depository, and the latter's bank account number.

Article 10

As a condition for the opening of an account by an individual, he/she must establish his/her identity and provide identification which is acceptable by law as valid personal identification, i.e. a driver's licence, passport or valid legal confirmation from the National Register of Statistics Iceland, which indicates the name, identification number and address of the account owner. In addition the account operator is to verify and obtain from the account owner, and any other parties who may be entrusted with the right to access to the account, personal

signatures or other legally recognised means of confirmation that a legal action has in fact been carried out by the person authorised to do so in accordance with this Article.

As a condition for the opening of an account for a company, or other entity capable of enjoying rights or being subject to obligations by law, the account operator must verify the name, address and identification number of the company and request a certified copy of the rules which apply concerning its power of procuration. The account operator shall obtain the personal signatures of parties entitled to oblige the company and to dispose of electronic security certificates registered in the company's name. The account operator may, furthermore, demand other information if it deems such to be necessary.

As a condition for opening an account, a person who has neither legal domicile in Iceland nor an Icelandic identification number must provide a valid pass-port, cf. the first paragraph. As a condition for the opening of an account for a company, or other entity capable of enjoying rights or being subject to obligations by law, but which has neither a registered place of business in Iceland nor an Icelandic identification number, documentation must be provided of its establishment and registration in its home state, together with a copy of the rules which apply concerning its power of procuration. In other respects, the provisions of the second paragraph shall apply concerning the signatures of parties entitled to oblige the company, etc. An account operator may serve as intermediary in obtaining an Icelandic identification number for a party as referred to in the third paragraph; in other respects the rules of Statistics Iceland shall apply to provision of an identification number.

Article 11

Remote transfer of electronic security certificates

An account operator may open an account with a central securities depository without examining identification as provided for in Article 10, provided the account owner has already opened an account in a credit or financial institution which fulfils the provisions of Article 4 of Act No. 80/1993, on measures against money laundering, as subsequently amended, and is furthermore the legitimate recipient of all payments which a central securities depository is to deliver in accordance with the instructions for payment it receives, cf. Point 5 of Article 9. If there is reason to suspect that any dealings are connected with offences as provided for in Article 2 of Act No. 80/1993, an account may not be opened in accordance with this Article.

Article 12

An account operator shall be responsible towards the central securities depository to see to the following, and shall if requested demonstrate:

1. that the necessary investigation of personal identification or legitimate documentation (certificates) of the establishment of legal entities, as applicable, has been carried out upon the opening of an account, cf. Articles 10 and 11, and shall provide the depository access to the documentation used as a basis;
2. that satisfactory documentation has been submitted to prove the right of a rightholder to an electronic security certificate;
3. the specification of the time when a request for registration of title was received;
4. when it requested a correction to a registration of title, cf. Article 22 of Act No. 131/1997, and that the right of opposition has been respected;
5. what limits it has set as to the number of locations (branches) receiving requests for registration of title and whether it limits its services in any respects and offers only services for specified electronic security certificates.

Documentation covered by this Article shall be preserved for ten years from the time rights provided by the account in question cease.

CHAPTER IV Registration of title

Article 13

Implementing registration of title

The central securities depository shall look after final entries and keep accounts for the owners of electronic security certificates where changes and cancellations of rights to electronic security certificates shall be registered.

The final entry of a central securities depository shall include an exact specification of the time when registration of title as provided for in the first paragraph acquires legal protection, of which the owner of an electronic security certificate shall be provided with confirmation, at his/her request.

Article 14

An account operator shall accept requests for registration of title or changes or cancellation of rights to an electronic security certificate. An account operator is obliged to provide anyone who so requests and who has legitimate interests at stake, with confirmation of the specification of the time when the registration of rights took place.

An account operator and a central securities depository shall accept requests for registration of title during normal business hours all weekdays, excepting public holidays, cf. the provisions of sub-paragraph b, Point 2 of Article 4 of Act No. 32/1997, on Public Holidays.

The time designation (date and time) provided for in this Regulation, or rules adopted in accordance with its provisions, shall be based on local time in Iceland.

Article 15

Before an account operator makes a correction to a registration of title, cf. Article 22 of Act No. 131/1997, the rightholders concerned shall be notified as to what corrections are to be made and given the opportunity of expressing their opinions. Once a change has been effected the parties concerned shall be notified thereof, cf. Article 18 of Act No. 131/1997.

Notwithstanding the provisions of the first paragraph, an account operator may correct obvious mistakes or incorrect entries, provided notification of such is sent, cf. Article 18 of Act No. 131/1997, to the parties concerned after the correction has been made.

Article 16

If no electronic security certificates have been registered in an account for one year, the account operator may close the account.

Article 17

A central securities depository shall decide upon the period provided for in the second paragraph of Article 14, during which entries may be sent for registration of title. The legal effect of registration of title shall apply as of the final entry in a central securities depository, cf. the fourth paragraph of Article 16 of Act No. 131/1997.

The central securities depository shall decide, in co-operation with the Central Bank of Iceland, the point in time as of which the final entry shall apply:

1. for transactions which shall be entered for netting;
2. for transactions which are subject to real-time gross settlement.

A central securities depository and the Central Bank may, under special circumstances, postpone or invalidate one or more netting conversions, cf. Point 1 of the second paragraph,

and thereby postpone or invalidate the legal effects connected with the transaction in question, due to settlement and finality of obligations involved in the transaction.

The central securities depository shall, in consultation with the Central Bank of Iceland, decide the shortest unit of time during which transactions as provided for in Point 2 of the second paragraph shall be completed and upon which its legal effect is based.

For the final entry, a right previously registered shall take priority over a right subsequently registered.

Article 18

A central securities depository shall, in co-operation with the Central Bank of Iceland, cf. Article 15 of Act No. 131/1997, set detailed rules on the finality of transactions in electronic security certificates which take place on a stock exchange, as well as on insurances and mortgaging rights which apply to final entries and registration of title.

Article 19

Request for registration of title

A request for registration of title shall be directed to the account operator. The time at which the request for registration of title was received shall be confirmed if so requested.

Upon receiving a request for the registration of title an account operator is to investigate thoroughly whether the rights notified definitely originate from the right holder and ascertain that the necessary information is available on registration of title by demanding the identification referred to in Article 10, cf. Point 2 of Article 12, or by other secure means.

Article 20

An entry for registration of title shall indicate at least the following:

1. the identification number of the rightholder, which thus gives reference to the name and address of the latter,
2. the type and specifications of the electronic security certificates which the request concerns, such as their identification numbers and number of units,
3. name of the account operator,
4. identification number of the legitimate recipient of payments to whom a central securities depository shall properly convey payment, in accordance with the instructions for payment it receives, which thus gives a reference to the name and address of the owner, and his/her bank account number.

Article 21

In order that rights may be registered they must confirm, establish, change or cancel rights to the electronic security certificate covered by the request, with the legal effect deriving from the registration.

Article 22

Indenturing, etc.

An account holder shall register any mortgages in accordance with a mortgage agreement, together with other registerable rights to electronic security certificates, such as due to bankruptcy, seizure, etc., having previously investigated the name, address and identification number in accordance with Article 10, cf. Point 2 of Article 12, or by other secure means.

In registering rights in accordance with the first paragraph the following information should be recorded in an account with an entry linked to the account:

1. the point in time upon which the rights are based and the name of the account operator where the basic registration documents are preserved, such as a mortgage agreement or other legal act upon which registration is based;

2. what electronic security certificates are covered by the rights;
3. the name, address and identification number of the rightholder;
4. the identification number of the legitimate recipient of payments to whom a central securities depository shall properly convey payment, in accordance with the instructions for payment it receives, which thus gives reference to the name and address of the owner, and his/her bank account number, if applicable.

The account operator shall see to the preservation of mortgage agreements and other documents providing for the rights to electronic security certificates referred to in the first paragraph in accordance with provisions of current legislation and the provisions of this Regulation.

Article 23

Access to information

The Board of the central securities depository must provide limited-liability companies, which have had their shares issued there, information on the registered owners of shares in the company concerned. The same shall apply concerning management companies and depositaries for Undertakings for Collective Investment in Transferable Securities (UCITS) and information on the owners of units in these collective investment undertakings.

A central securities depository may grant institutional investors and the issuers of major classes of electronic securities certificates the right to obtain information on their own account direct from the central securities depository, provided an agreement of association has been concluded, providing in detail for rights and obligations in accordance with this paragraph.

Article 24

A central securities depository must provide a limited-liability company with information on the name of a new share owner registered there which shall be entered into the company's register of shareholders when the final entry has taken place. An account shall show when and what information has been notified in accordance with this Article.

Detailed provisions on supplying information in accordance with the first paragraph shall be laid down in an agreement between a central securities depository and this issuer of electronic security certificates.

Article 25

Registration of rights on the basis of a verdict or other public court action

For the registration of rights on the basis of a court ruling or other public court action, the party requesting registration of title must furnish a declaration from the authority, or a copy of the verdict or ruling, upon which the request for registration of rights is based.

Article 26

The registration of rights on the basis of Act No. 90/1989, on execution, and Act No. 31/1990, on impoundment, injunction, etc., must be done on the basis of a certified copy of the writ of execution, impoundment or injunction, as applicable.

The registration of rights due to a spouse's right to postpone division of the marital estate or due to private settlement of an estate must be made on the basis of an authorisation provided by the district commissioner in accordance with Act No. 20/1991, on the division of estates, etc.

Registration of rights due to public division of estates and bankruptcy proceedings must be made on the basis of a ruling issued in accordance with the provisions of Act No. 20/1991, on division of estates, etc., or of rulings on bankruptcy issued on the basis of Act No. 21/1991, on bankruptcy proceedings, etc.

Registration of the deprivation of the right to manage one's affairs, limited deprivation of the right to manage one's affairs, or other limits to one's financial affairs, must be done on the basis of a certified copy from the court issuing the ruling on the deprivation of rights covered by this Article, cf. in other respects the Act on Legal Majority, No. 71/1997, on the rights and obligations of the supervisor of custodianship, etc.

CHAPTER V

The basis and premises for registration of title

Article 27

Examination by the account operator of premises for registration of title

An account operator must, prior to registering rights in an account with a central securities depository, examine whether the conditions for registration of title are fulfilled, including the conditions of Articles 19-21.

Article 28

The account operator is to reject a request for registration of title if:

1. the request concerns a security which has not been registered in a central securities depository;
2. the electronic security certificate is not registered in an account which the account operator oversees;
3. the substance of the rights concerned by the request cannot be registered;
4. the request does not contain the information listed in Article 19;
5. the rights have already been registered.

An account operator is responsible for notifying the party requesting registration of title without unnecessary delay of the reasons as to why the rights cannot be registered and of the right to be able to refer a dispute to the Ruling Committee referred to in Article 25 of Act No. 131/1997.

Article 29

When a request for registration of title as provided for in Article 22 concerns only part of those electronic security certificates which are in an account this shall be clearly indicated in the account.

Article 30

Provisional registration of title

If satisfactory documentation has not been submitted as provided for in Article 10, cf. Point 2 of Article 12, or as provided for in the rules which apply to the registration of rights on the basis of a court verdict or other public court action, cf. Articles 25 and 26, or information as provided for in Points 1 and 4 of Article 20 is incomplete, the account operator may grant a time limit of up to 14 days for all necessary documentation to be submitted so that registration of title may be carried out. The request shall be registered provisionally, indicating clearly that it is a provisional registration and the length of the time limit which has been granted.

The deadline may be extended by up to 14 days if circumstances so warrant.

If confirmation is not provided within the time limit allowed the registration of title shall be eradicated from the account in accordance with the provisions of this Regulation.

Article 31

If an account operator deems that there is doubt concerning facts or aspects which affect the legal right provided for by the registration of title, cf. Article 17 of Act No. 131/1997, it must, for its part, see to it that the rights be only registered provisionally.

A central securities depository may request all necessary information from an account operator when making a final decision as to whether rights which have been registered as provided for in this Article shall be entered in its title register. The central securities depository shall expedite its decision to the extent possible.

The account operator is to notify of provisional registration of title in accordance with this Article, if the conditions of Article 21 are fulfilled. The provisions of Article 35 shall apply as appropriate to notification of registration of title.

Article 32

Rulings Committee

Disputes concerning registration of title or other aspects covered by the scope of Act No. 131/1997 may be referred to the Rulings Committee of central securities depositories. A complaint arising from a dispute concerning registration of title in a central securities depository must be forwarded to the Rulings Committee within 12 weeks of the time of registration in a central securities depository. In other respects, the activities and decisions of the Rulings Committee shall be as prescribed by the Act and rules adopted in accordance with it.

Article 33

Final entry and registration of rights

Registration of rights shall be made in the account owner's account by means of a final entry in a central securities depository. The registration of title to an electronic security certificate confers upon its registered owner legal authority to the rights to which he/she is the registered owner and shall be equivalent to a document attesting right of ownership to the electronic security certificate towards the issuer.

If an account operator has, despite the provisions of Article 28, sent a request for registration of title, a central securities depository may reject the request on the basis of Article 28 if applicable.

Article 34

All rights which have been registered in an account shall be visible there.

Article 35

Notification of registration of title in a central securities depository

An account operator is obliged, cf. Article 18 of Act No. 131/1997, to notify all parties concerned of any registration of title which it has served as intermediary in effecting, including changes to previously registered rights. The notification shall state the name and identification number of the account operator which has served as intermediary in the registration of title, the name and identification number of the central securities depository where the rights are registered, the substance of these rights, whether other rights to the electronic security certificate are registered in the account, and the specification of the point in time from which legal effect of the registration of title applies.

The central securities depository shall adopt detailed rules on the notifications to be sent rightholders of registered rights in a central securities depository. A central securities depository must notify the Financial Supervisory Authority with sufficient notice of rules adopted in accordance with this Article and of changes to them.

An account operator and central securities depository may reach agreement on a more specific arrangement for delivery of notifications which must be sent rightholders as provided for by law, this Regulation or rules of the central securities depository.

Notwithstanding the provisions of this Article, notifications need not be sent in the following

instances:

1. registration of mortgage collateral of the Central Bank of Iceland, in accordance with the provisions of Article 15 of Act No. 131/1997 [as subsequently amended], carried out to ensure the finality of trading by account operators in electronic security certificates, cf. also Article 22 of this Regulation;
2. if an account owner has negotiated an agreement on the basis of rules adopted by the central securities depository, cf. the second paragraph of this Article, where it is recorded that notifications shall only be sent to him/her regularly, or has declined to receive notifications of changes to rights for which he/she is registered, cf. however, Article 37.

Article 36

Notifications as provided for in Article 35 shall be sent to the parties concerned immediately and no later than two days after a request for registration of title was received by the account operator, cf. Article 14, unless the owner of an account has expressly agreed on other arrangements in accordance with rules adopted by the central securities depository.

Article 37

Statement of account

A central securities depository shall send each individual account owner, at least once each year, a statement of account, listing the electronic security certificates of which he/she is the registered owner upon the date of the statement. The same shall apply to owners of limited proprietary rights to an electronic security certificate.

The annual mandatory account statements provided for in this Article shall be sent to account owners in January each year and shall indicate the rights for which the owner was registered on 31 December of the previous year.

In the agreement of association between a central securities depository and account operator, and with the issuer, if applicable, more detailed provision may be made for the statement of account which must be sent rightholders to electronic security certificates according to the provisions of law, regulations or rules adopted by virtue of them.

Article 38

The statement of account must include:

1. the date and time of the statement,
2. the name, identification number and address of the account owner,
3. the specification, type and number of units (nominal value) of electronic security certificates registered there,
4. registered limitations on the disposal right of the owner,
5. the name of the account operator authorised to register title in the account, as well as the name of the central securities depository where the rights are registered,
6. all the final entries which have been made to the account, cf. the fourth paragraph of Article 16 of Act No. 131/1997.

Article 39

An account operator must, in compiling notifications and statements of accounts, base them on the register of the central securities depository of final entries of rights registered there. It may, however, add further information which it feels may be of use to the owners of electronic security certificates.

Article 40

Eradication of rights and closure of accounts

The issuer of an electronic security certificate as provided for in the second paragraph of Article 11. of Act No. 131/1997, may, in accordance with detailed provisions of an issuing agreement with a central securities depository, eradicate or transfer between accounts electronic security certificates in its own possession.

Article 41

A central securities depository may eradicate electronic security certificates when the rights they confer have been terminated.

Article 42

The central securities depository shall see to the eradication of rights when electronic security certificates are drawn by lot and repaid, or paid off by other means on the due date or in accordance with a decision by the issuer.

Article 43

A central securities depository may, in accordance with Article 23 of Act No. 131/1997, eradicate rights which are deemed to be no longer of significance or in the case of rights which are 20 years of age or older, and which may be verifiably deemed to have expired or if it is demonstrated that no rightholder can be found to claim the rights.

The central securities depository shall send an account operator notification of rights which are to be eradicated and request information on the registered owner of the account. Having received the response, the central securities depository shall publish in the Legal Gazette a notice of recall to parties who regard themselves as entitled to the registered rights, with a recall time limit of three months.

If no one has presented themselves by the expiration of the time limit the central securities depository shall eradicate the rights.

The provisions of Article 12 shall apply as appropriate to the eradication of rights.

Article 44

Electronic security certificates shall be registered in a central securities depository as long as the issuer fulfils the conditions applicable to registration unless the latter requests that the registration of title be terminated, cf. Article 40, provided the provisions of laws, regulations or the rules of the central securities depository do not preclude the termination of the registration of title to the securities.

Article 45

In the case of bankruptcy, redemption, merger or other similar actions, which lead to the termination of registration of an electronic security certificate, the central securities depository must continue registration until the activities of the issuer are finally wound up or altered.

Article 46

When rights which have been registered in a central securities depository have been terminated, cancelled and eradicated, notification must be sent in accordance with the provisions of Articles 35-37, cf. Article 18 of Act No. 131/1997.

Article 47

Before the eradication of rights is carried out and their registration terminated, the central securities depository must notify both the rightholders concerned and the account operator in advance, specifying the time limit for termination of registration. In addition, the eradication

of rights must be advertised in the Legal Gazette with at least four weeks' notice. When rightholders are to be issued with tangible certificates, instead of the rights which have been eradicated from the register of title of the central securities depository, this must be specifically indicated in the advertisement as provided for in this Article, together with other aspects of importance concerning their delivery.

Article 48

Without unnecessary delay, and no later than eight working days after the eradication has taken place, the central securities depository must send an account operator:

1. an overview of the account owners who owned the rights registered in an account which the central securities depository has eradicated;
2. a statement of account for each account owner where rights have been eradicated;
3. data concerning the eradication of rights in those accounts for which the account operator has acted as intermediary in registration of title and instructions to the account operators as to in what manner they are to deliver documentation concerning the eradication of rights, if applicable.

Article 49

An account operator must, without unnecessary delay and no later than eight working days after receiving the information and documentation provided for in Article 48, send the rightholders who are to receive documentation a notice as to where delivery will take place.

CHAPTER VI

On the instruction and rights of employees of account operators for registration of title, etc.

Article 50

An account operator is responsible for seeing to it that employees are provided with satisfactory instruction on the implementation of registration of title in accordance with the provisions of this Regulation and the rules of the central securities depository which has received an operating licence for issuing electronic security certificates and registering the rights to them.

An individual may not commence work on registration of title until he/she has acquired satisfactory training and knowledge for the task.

Article 51

An account operator must appoint a special contact person to oversee and be responsible for the working methods of the institution concerning registration of title where it acts as intermediary. This contact person must be professionally qualified as a lawyer (cand. jur.).

CHAPTER VII

Recall of tangible securities and their electronic registration in the central securities depository

Article 52

Electronic registration of shares

After receiving an approved issuing description from the central securities depository as provided for in Chapter II, the issuer of tangible share certificates shall recall them by

means of an advertisement in the Legal Gazette, to the effect that the Board of the company has decided to recall and invalidate issued certificates in order to register them electronically in the central securities depository in accordance with the provisions of Act No. 131/1997, on electronic registration of securities, as subsequently amended, and rules adopted by virtue of it.

If a company has been listed on a regulated securities market its prospectus there may be used, provided it fulfils the minimum conditions set by the central securities depository for issue descriptions for comparable types of securities.

Should the issuer of tangible share certificates have decided in legitimate manner to take up their electronic registration, and their issue description has been approved in accordance with the provisions of this Regulation, the issuer must decide, in consultation with the central securities depository the timing (day and time) of the electronic registration of title and thus from what point in time the tangible share certificates will become invalid.

Article 53

Notice of recall shall not be published more than six months prior to the commencement of electronic registration of title in the central securities depository, and no later than three months before the electronic registration takes place.

In addition to advertising the recall twice in the Legal Gazette, the issuer is responsible for publishing at least three conspicuous advertisements of the recalling of rights in all the country's principal media, such as in daily newspapers and other media as deemed advisable, in order that information on the recall will be communicated to the owners of share certificates issued by the company.

Article 54

The advertisement cf. Article 52 shall include at least the following:

1. specification of the shares concerned by the notice of recall, such as specification of their issuer and other information deemed necessary so that the rights conferred by the share certificate can be recognised and identified, e.g. by serial numbers or other characteristic identification of the share certificate, or other conditions concerning payment of dividends on the share and what year the rights are to conclude, in the case of provisional rights;
2. when (date and time) the rights conferred by the tangible share certificates will be electronically registered in a central securities depository and the tangible certificates will therefore become invalid;
3. a reference to the units in which electronic security certificates will be issued following electronic registration, cf. Point 1;
4. whether the issuer has decided that, once electronic registration of title in the central securities depository has been effected and the deadline for recall has passed, payments to rightholders, such as dividends, etc., shall only be made through the system of the central securities depository;
5. by what means the owners of rights as conferred by the shares can and should receive certified account statements from the central securities depository indicating in unequivocal manner what rights have been registered there when the electronic registration took place, cf. also Article 56;
6. the name of the central securities depository where the shares are to be registered.

Article 55

The central securities depository shall handle and be responsible for opening an account for each shareowner which has been notified to the company's register of shareholders as of the time of expiry of the period of recall provided for in Article 52 when electronic registration of

title is effected. The central securities depository may demand that trade in the company's shares be suspended on the date their electronic registration is effected in the computer systems of the depository. Transfer and other registration to the account may not take place until the owner has selected an account operator, cf. the provisions of Chapter III of this Regulation, and its conditions fulfilled in other respects.

Article 56

Account operators must preserve copies of all documentation upon which the initial transfer and registration of rights in the account of the owner of an electronic security certificate was based, cf. Article 55 and, in other respects, the provisions of law and this Regulation. The same shall apply to other documentation for which consideration has been had in the registration of rights. The account operator shall, in accordance with the wish of the rightholder of the registered rights, issue a statement of account indicating in unequivocal manner the rights which have been registered in the central securities depository in the account of the account owner as provided for by current rules thereupon.

Article 57

Electronic registration of bonds

Issuers of bonds and bond classes may advertise unilaterally that tangible bond certificates will be electronically registered.

The advertisement must specify the account operators which accept the tangible certificates for electronic registration in the central securities depository. Advertisements referred to in this paragraph shall in other respects be as provided for in Article 54; preservation of documentation and issuing of statements of account shall be as provided for in Article 56, as well as in other provisions of this Regulation as appropriate.

Article 58

Submission of tangible bond certificates may only be made to those account operators who have concluded a valid agreement of association with a central securities depository when the submission takes place.

Article 59

An account operator which accepts tangible bond certificates must, following examination as provided for in Article 10, cf. Point 2 of Article 12, mark the certificate as electronically registered and invalidate it.

The marking shall include at least:

1. the date of electronic registration;
 2. the number of the account in the central securities depository where the rights have been registered;
 3. the identification number of the last holder of the bond certificate as well as the identification of the transferee, if the bond is transferred upon electronic registration of title.
- Following the registration of title and marking as provided for in this Article the tangible bond certificate shall be invalidated and forwarded to the issuer for preservation.

Article 60

Electronic registration of units in collective investment undertakings

The provisions of Articles 52-56 shall apply to electronic registration of units in collective investment undertakings, together with other provisions of this Regulation as appropriate.

Article 61

General provisions concerning electronic registration

Rights conferred by tangible securities certificates shall be converted to electronic security certificates in accordance with the agreement between the issuer and the central securities depository on their issuing, such as the nominal value, identification of the securities, etc. The nominal value of units may not be given in a higher amount than corresponds to the lowest nominal value of any security at the time when recall of rights takes place. Once electronic registration has been effected, all previous identification numbers of a securities class shall be invalid, together with any other characteristics.

Article 62

As soon as practicable, and never later than three months after electronic registration of title has been effected, the account operators concerned must send a statement of account to the owners of rights together with other right-holders as appropriate. The statement of account must at least satisfy the provisions of Article 13, cf. Article 38 of this Regulation. The provisions of the first paragraph may not, however, prevent the owner or rightholder to an electronic security certificate from at any time requesting that an account operator provide him/her with a copy of a statement of account listing rights which verifiably concern him. In registering title to tangible securities in the central securities depository, where an account operator acts as intermediary, notification shall be sent in accordance with the provisions of Article 35 of this Regulation.

Article 63

Rights conferred by tangible securities certificates which have been recalled and registered in accordance with the provisions of Act No. 131/1997, on the electronic registration of title to securities, and this Regulation, shall enjoy legal protection as of the moment when the final entry of rights has been effected in the central securities depository.

CHAPTER VIII

Entry into force, etc.

Article 64

Violations against this Regulation shall be liable to fines or imprisonment of up to one year, unless more severe punishment is provided for in other Acts. If a violation is committed to benefit a legal entity, the directors of the legal entity may be subjected to the above-mentioned penalties; in addition the legal entity may be subject to loss of operating rights. Any attempt to commit, or complicity in, a violation is punishable in accordance with the Criminal Code.

Article 65

This Regulation is set by authority of Act No. 131/1997, on electronic registration of title to securities, as subsequently amended by Act No. 32/2000, and shall enter into force at once.

Valgerður Sverrisdóttir

Þorgeir Örlygsson