

## CHAPTER I

### Objective and Organisation

#### Article 1

##### Objective

The objective of this Act is to guarantee a minimum level of protection to depositors in commercial banks and savings banks, and to customers of companies engaging in securities trading pursuant to law, in the event of difficulties of a given company in meeting its obligations to its customers according to the provisions of this Act.

#### Article 2

##### Institution

Guarantees under this Act are entrusted to a special institute named the Depositors' and Investors' Guarantee Fund, hereinafter referred to as the "Fund". The Fund is a private foundation, operating in two independent departments, the Deposit Department and the Securities Department, with separate finances and accounting, cf.

however the provisions of Article 12.

### Article 3

#### Fund Members

Commercial banks, savings banks, companies providing investment services, and other parties engaging in securities trading pursuant to law and established in Iceland, shall be members of the Fund. The same shall apply to any branches of such parties within the European Economic Area. Such parties, hereinafter referred to as Member Companies, shall not be liable for any commitments entered into by the Fund beyond their statutory contributions to the Fund, cf. the provisions of Articles 6 and 7. The Financial Supervisory Authority shall maintain a record of Member Companies.

### Article 4

#### Board of Directors and Executive Director

The Board of Directors of the Fund shall consist of six members elected for a term of two years at a time.

Commercial banks shall nominate two members to the Board of Directors of the Fund, savings banks shall

nominate one member, companies and other parties engaging in securities trading pursuant to law shall jointly nominate one member, and the Minister of Commerce shall nominate two members. The Minister shall furthermore nominate a representative of depositors and investors as an observer with the right to speak and to submit proposals to the Board of Directors of the Fund, who shall meet the same requirements as Board Members. The Minister shall appoint the Chairman of the Board. Alternate Members shall be nominated in the same manner.

The Board of Directors of the Fund may appoint an Executive Director, or negotiate with a legal entity for the operation and custody of the Fund. The Central Bank of Iceland qualifies as such a legal entity, as do custody companies pursuant to the Act on Investment Funds. Members of the Board of Directors and the Executive Director shall be of legal age and shall never have been deprived of custody of their estates. They shall have an unblemished reputation, and shall not have been convicted in a court of law for any punishable action with regard to

business dealings pursuant to penal law or statutory law on limited liability companies, private limited companies, accounting, annual statements, bankruptcy or taxes.

Members of the Board of Directors and employees of the Fund are bound by confidentiality pursuant to the provisions of the Act on Commercial Banks and Savings Banks.

Every two years, or more frequently if so required, the Board of Directors shall report to the Minister on their views regarding the Fund's minimum assets as defined in Articles 6 and 7. The tasks of the Fund's Board of Directors shall be further provided for in the Fund's Articles of Association.

#### Article 5

##### Annual General Meeting

The Annual General Meeting shall be held before the end of March each year. The audited financial statement and the report of the Board of Directors of the Fund shall be submitted at the Annual General Meeting. The Annual General Meeting shall decide on the Articles of Association of the Fund. The tasks of the Annual General Meeting shall

be described further in the Articles of Association of the Fund, which shall be subject to the Minister's approval, following review and comment by the Financial Supervisory Authority.

All Member Companies shall be entitled to attend the Annual General Meeting, where commercial banks shall have a total of six votes, savings banks shall have three votes, and companies and other parties engaging in securities trading pursuant to law shall have three votes. Votes shall have equal weight within each group. Proposed amendments to the Fund's Articles of Association shall require a two thirds majority at the Annual General Meeting and the approval of the Minister.

The Board of Directors of the Fund may summon all Member Companies to a meeting should it see reason to do so. The Board shall convene an extraordinary meeting if such a meeting is requested by Member Companies representing one quarter of the total votes.

## CHAPTER II

### Contributions to the Fund