

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.

Passage through the Althing. Legislative bill.

Entered into force on 1 January 1998. Amended by Act No. 84/1998 (entered into force 1 January 1999), Act No. 32/2000 (entered into force 26 May 2000), Act No. 77/2000 (entered into force 1 January 2001), Act No. 164/2000 (entered into force 29 December 2000), Act No. 147/2001 (entered into force 31 December 2001), Act No. 76/2002 (entered into force 17 May 2002) Act No. 67/2006 (entered into force 24 June 2006), Act No. 108/2006 (entered into force 1 November 2006 by notice C 1/2006); Act No. 55/2007 (entered into force 3 April 2007), Act No. 64/2008 (entered into force 12 June 2008), Act No. 88/2008 (entered into force 1 January 2009, except for Interim Provision VII,

which took effect 21 June 2008) and Act No. 96/2008 (entered into force 24 June 2008).

CHAPTER I.

General provisions

Article 1 This Act shall apply to the electronic issue of securities and the registration of rights of title to such instruments.

Only a central securities depository which has been granted an operating licence pursuant to this Act is authorised to issue electronic securities and register rights of title to them with the subsequent legal effect provided for in this Act.

Article 2 For the purposes of this Act the following definitions shall apply:

electronic security: a transferable, electronically registered security;

registration of rights of title: issuing of electronic securities in a central securities depository and registration of [rights]1) to them;

central securities depository: a limited liability company

which is responsible for the registration of rights of title to electronic securities;

account operator: a company or organisation serving as an intermediary in the registration of rights of title to electronic securities in a central securities depository;

final entry: the final testing and entering of a registration of a right of title in a central securities depository in accordance with notifications sent to the depository;

account: a register of the final entries of an account holder of electronic securities in a central securities depository;

[finalisation: final settlement of the transactions of account operators involving electronic securities and full performance thereof, such as by clearing or monetary payments which form the basis for a final entry in the account of a central securities depository.]¹⁾

¹⁾Act 32/2000, Art. 1.

Article 3 The Minister of Business Affairs shall grant a central securities depository an operating licence following receipt of the comments of the [Financial Supervisory

Authority].1) Applications for an operating licence shall be made in writing. Such licences shall be granted only to registered limited liability companies which fulfil the following conditions:

1. paid-up share capital shall amount to a minimum of ISK 65 million, with the amount linked to the buying rate of the European Currency Unit (ECU) and based upon the official rate of exchange on the date of entry into force of this Act;
2. an adequate operating budget shall be available, based on sound premises, in addition to a security plan and an organisation chart;
3. the conditions of Article 30 of this Act concerning a guarantee fund shall be fulfilled.

The Minister's decision on an application for an operating licence shall be notified to the applicant in writing as promptly as possible and no later than three months following receipt by the Minister of a completed application. The Minister's refusal of an application shall be reasoned in writing. A central securities depository is not permitted to commence operation until its share capital is fully paid up.

A central securities depository is not permitted to engage in activities other than those provided for in this Act or normally connected with such activities.

1) Act 84/1998, Art. 20.

Article 4 A central securities depository shall have at least three members on its board of directors, who shall be permanent residents of Iceland, be of legal age, have an unblemished reputation, be competent to manage their own finances, and they shall not, over the preceding five years, have been convicted of any offence connected with any commercial activity which is punishable under the Penal Code or legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxes.

Nationals of Contracting Parties to the Agreement on the European Economic Area are exempt from the residence requirements, provided that such nationals are residents of an EEA Member State. [The residence requirement does not apply either to citizens of Member States of the Convention establishing the European Free Trade Association who are