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.

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Chapter I. General Provisions

Article 1. Claims for money or other payments are subject to limitation periods in accordance with the rules of this Act, except as otherwise prescribed by law.

Any contract providing for the non-limitation of a claim shall be null and void.

Time limits under this Act are counted in years or months on the basis of full days with the day from which the period is calculated not included. If this day does not fall at the end of a month, the time limit shall expire on the last day of the month.

Chapter II. Limitation period

Article 2. The limitation period for a claim runs from the date on which a creditor is first entitled to demand performance.

For claims arising from a breach of contract, the limitation period runs from the date on which the contract is breached.

Where a contract can be terminated before its time for performance is due or a claim falls due before the date originally prescribed as a result of a debtor's non-performance or other circumstances, the limitation period for a claim runs from the date on which the creditor notifies the debtor that he will resort to termination or acceleration. If the creditor elects not to employ such recourses, the limitation period shall run from the due date originally decided.

If a seller or a previous vendor has guaranteed a sold article by undertaking remedy or assuming other liability, the period of limitation in respect of a claim based on such liability shall run from the date on which the buyer gives notice of the event on which the claim is based, and at the latest from the date on which the liability expires. The same shall apply if a person providing a service has guaranteed the result of such service.

Article 3. The general limitation period for claims shall be four years.

Article 4. The limitation period for claims in respect of deposits or assets submitted for safekeeping with a financial undertaking, public fund or other entity authorised by law to accept deposits from the public, in addition to interest on such claims, shall expire 20 years from the date on which such assets were submitted. A new limitation period shall begin to run when the creditor has gained control of the assets by withdrawing them or depositing assets in the account.

However, a claim pursuant to paragraph 1 shall only become barred if the recipient of the assets makes the creditor or his heirs aware in a timely and verifiable manner that the claim is due to become barred.

Article 5. The limitation period for claims in respect of bonds or claims which have been electronically registered in a securities depositary is ten years. The limitation period under this provision does not apply to interest, price-level adjustments, company dividends and payments pursuant to Article 6.

The ten-year limitation period shall also apply to claims based on loans of money. However, this shall not apply to loans granted by a seller or any other person for financing purchases on credit. The limitation period under this provision shall not apply to interest and price-level adjustments.

Article 6. A claim which has been agreed or established in respect of pensions, annuities, maintenance allowances or other contribution accruing at specific intervals and not representing instalment payments on a principal, shall be subject to a limitation period of ten years from the date on which the last instalment was paid. If no payment has been made, the limitation period shall run from the date on which the creditor could have demanded the initial payment. Individual due instalments are furthermore subject to the limitation period under Article 3.

Article 7. When a claim is secured by a guarantee or other similar security, the limitation period shall run, in respect of the guarantor, in accordance with the same rules that apply to the principal claim. The fact that a claim cannot be enforced against the guarantor before payment has been unsuccessfully sought from the principal debtor, or that the guarantee in other respects is of a subsidiary nature, does not affect the calculation of the limitation period.

Article 8. If more than one debtors are liable to a creditor and one of them discharges his obligation before the limitation period of his claim has expired, the period of limitation for his claim against a co-debtor shall run for four years from the discharge of the obligation. However, the claim shall not become barred before the end of the limitation period to which he would have been entitled if the discharged claim had been transferred to him. The same applies to a guarantor's recovery claim against the principal debtor or a co-guarantor.

Article 9. Claims for damages shall be subject to a limitation period of four years from the date on which the injured