

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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SECTION I

Scope of application

Art. 1

The present Act applies to Foundations engaging in business operations.

The Minister of Commerce deals with affairs relating to Foundations in accordance with the present Act, other than those pertaining to the registration of the Foundations, such matters being dealt with by the Minister of Finance.

"Minister" in the present Act denotes the Minister of Commerce, unless the Minister of Finance be specified.

Foundations other than those to which the present Act applies are subject to the Act respecting Funds and

Establishments functioning in accordance with a Confirmed Charter or another Act as applicable.

Art. 2

A Foundation in accordance with the present Act originates in such a manner that cash or other financial values are delivered irrevocably by means of a Last Will and Testament, gift or other act for appropriation in favour of a specified aim, provided that the delivery will in other respects meet the provisions of the Act.

Art. 3

A Foundation is deemed to be engaging in business operations if it:-

- (a) derives earnings from the sale of goods and services and the like or engages in activities being in the main similar to those of other associations or individuals engaging in business operations;
- (b) wields the majority of votes in a Public or Private Limited Company or other Companies or does in another manner wield comparable control.

A Foundation is, however, not deemed to engage in

business operations within the meaning of the present Act if the operation as per para. 1 is considered to be limited as compared with other activities of the Foundation or if it merely concerns a small part of the Foundation's capital and reserves (equity).

A Foundation not engaging in business operations comes within the applicability of the Act as and when it is deemed to engage in business operations as per para. 1.

Art. 4

The present Act does not apply to the following:-

- (a) Foundations functioning on the basis of special legislation or which are established by means of Acts or a decision by the Althingi (Legislative Assembly) or authority contained in a Treaty which are subject to the supervision of the Icelandic State or another State;
- (b) Foundations established entirely by Municipalities or to which these contribute funds for the purpose of meeting their direct lawful duties;
- (c) old age institutions.

Art. 5

A Foundation's Registry, cf. para. 1, Art. 37, will determine as to whether a specific Foundation comes within the framework of the present Act.

Art. 6

Foundations under the present Act shall contain the word "Foundation" in their name or the abbreviation "ses". In other respects the name of a Foundation is subject to the provisions of the Act respecting Firms as appropriate.

SECTION II

Establishment and Articles of Association

Art. 7

The Board of Directors of a Foundation intended to engage in business operations in accordance with Art. 3 shall give notice thereof for registration with the Foundation Registry prior to commencing operations, but no later, however, than six months as of the date of the Memorandum of Association.

Notice of a Foundation established by means of a Last Will and Testament shall be given immediately following upon the completion of administration.

Art. 8

A Foundation under the present Act which has not been registered with the Foundation Registry can neither acquire rights nor be subject to duties. Neither can it be a party to Law Court Cases.

The provisions of para. 1 do not apply to the Foundations which do not engage in business operations upon the entry into force of the present Act, but commence these subsequently.

Those performing legal acts for and on behalf of a Foundation prior to its registration shall be personally responsible for obligations in accordance therewith. Upon notification of registration as per Art. 41 obligations will, however, be transferred to the Foundation.

Foundations shall be handled in the same way as Companies with limited liability as applicable.

Art. 9

The following items shall be specified in the Articles of Association (Organizational Charter) of the Foundation:-

- (a) name;