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Entered into force 1 July 1992. Amended by the Act No. 92/1991, Act No. 26/1998, Act No. 32/2000, Act No. 88/2008, Act No. 23/2009, Act No. 24/2009, Act No. 31/2010, Act No. 60/2010, Act No. 95/2010, Act No. 101/2010, Act No. 135/2010, Act No. 142/2010, Act No. 162/2010, Act No. 82/2011 and Act No. 126/2011.

Part 1

General Provisions

Chapter I

Definitions

Article 1

In this Act, the word "debtor" shall refer to a person, company or institution seeking, and as the case may be, receiving, a licence of financial reorganisation or a licence to seek composition with creditors, or against whom a bankruptcy petition is directed.

In this Act, the noun "bankrupt" denotes a person whose estate has been made subject to bankruptcy proceedings.

Where appropriate, and where no other meaning is expressed, the term also denotes companies and institutions that have been made subject to bankruptcy proceedings.

## Article 2

In this Act, the term "reference date" shall mean the day when a district court judge receives a petition for a licence of financial reorganisation or a licence to seek composition with creditors, or a bankruptcy petition, or, if an estate at death is made subject to the provisions of this Act on bankruptcy, the death date. If the foregoing can apply to more than one date, the first date shall be the reference date, subject, however, to the provisions of the second to fourth paragraphs.

The date when a district court judge receives a petition for a licence of financial reorganisation shall be the reference date even if the petition is withdrawn or denied, if another such petition, or a petition for a licence to seek composition with creditors, or a bankruptcy petition, is received by the judge within one month from the earlier date. If a debtor

has been granted a licence of financial reorganisation, the date when the petition for it was received by the district court judge shall furthermore be the reference date, if the judge receives, within one month from the date when financial reorganisation ends, a petition of the debtor for composition with creditors or a petition for the debtor's bankruptcy.

The date when a district court judge receives a petition for a licence to seek composition with creditors shall be the reference date if the judge receives a new petition to that effect, a petition for a licence of financial reorganisation, or a petition for the debtor's bankruptcy, within one month from when the original petition was withdrawn or denied, the licence to seek composition expired, or a court order was issued confirming a proposed composition.

The day when a district court judge received a bankruptcy petition shall be the reference date even if the petition was withdrawn or denied, if the judge receives a new bankruptcy petition, a petition for a licence of financial reorganisation, or a petition for a licence of composition

with creditors, within one month from its reception.

A petition shall be deemed to have been submitted within a period of one month, as provided for in the second to fourth paragraphs, if it is received at the latest on the day of the month bearing the same number as the day of the previous month when the earlier event occurred.

### Article 3

In this, Act the noun "relative" shall mean persons related as follows:

1. Spouses and cohabiting persons;
2. Persons directly related by ascent or descent, or in the first sideline, including persons related in this way by adoption or by virtue of a foster arrangement;
3. persons linked by marriage or cohabitation in the manner referred to in subparagraph (2);
4. a person and a company or institution in which that person or his relative owns a significant share [or where he or a person close to him serves on the board of directors or directs day-to-day operations]1);
5. [two undertakings or organisations, if one of them has

a substantial holding in the other, or a person close to of one of them owns such a holding in the other, sits on its board of directors, or directs its day-to-day operations]1);

6. persons, companies and institutions linked in a manner comparable to the relationships referred to in subparagraphs (1)-(5).

1) Act No. 95/2010, §3 and 22.

## Chapter II

Jurisdiction, etc.

### Article 4

The provisions of this Act on the right to obtain a licence of financial reorganisation or for composition with creditors, and on bankruptcy, shall only apply to a debtor who is a natural person if the debtor's legal domicile is in Iceland and the debtor is not exempted from the jurisdiction of the courts of Iceland. The provisions of this Act shall however be applied to Icelandic nationals not having their legal domicile in Iceland if they are exempted from the jurisdiction of the courts of other states.

Where the debtor is a company or an institution the